IN THE COURT OF THE TRANSPORT TRIBUNAL

TRANSPORT ACT, 1947, AS AMENDED BY TRANSPORT ACT, 1953

IN THE MATTER OF THE APPLICATION OF THE BRITISH TRANSPORT COMMISSION (1958 No. 1)

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To Confirm the British Transport Commission (Passenger) Charges Scheme, 1958

FRIDAY, 6TH FEBRUARY, 1959

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PROCEEDINGS OF THE TRANSPORT TRIBUNAL

FRIDAY, 6th FEBRUARY, 1959

PRESENT:

HUBERT HULL, Esq., C.B.E. (*President*)

J. C. POOLE, Esq., C.B.E., M.C.

H. H. PHILLIPS, Esq., O.B.E.

Mr. E. STEWART FAY, Q.C., and Mr. PATRICK BROWNE (instructed by Mr. M. H. B. Gilmour, Chief Solicitor to the British Transport Commission) appeared on behalf of the British Transport Commission.

Mr. EDWARD MILNER HOLLAND, Q.C., C.B.E., Mr. LEON MACLAREN, and Mr. GEORGE MERCER (instructed by Mr. J. G. Barr, Solicitor to the London County Council) appeared on behalf of the London County Council, Hampstead Borough Council and the Islington Borough Council.

Mr. B. J. MACKENNA, Q.C., and Mr. D. A. GRANT (instructed by Mr. Kenneth Goodacre, T.D.) appeared on behalf of the Middlesex County Council, Berks. County Council, Bucks. County Council, Hertford County Council and Surrey County Council.

Mr. DUDLEY COLLARD (instructed by Mr. E. R. Farr), appeared on behalf of the Barking Borough Council and the South Essex Traffic Advisory Committee.

Mr. LEON MACLAREN and Mr. GEOFFREY RIPPON, M.P. (instructed by Mr. Vernon Lawrence, O.B.E.) appeared on behalf of Anglesey, Cambridge, Cheshire, Cumberland, Denbigh, Dorset, Durham, Flint, Glamorgan, Hampshire, Isle of Ely, Isle of Wight, Lancs., Leicester, Merioneth, Monmouth, Norfolk, Northampton, Nottingham, Oxford, Soke of Peterborough, Somerset, Stafford, West Sussex, Worcester and Kent County Councils.

Mr. D. A. GRANT (instructed by Mr. R. Webster Storr) appeared on behalf of Beckenham Borough Council.

Mr. GEOFFREY RIPPON, M.P., and Mr. ROY CALVOCORESSI (instructed by Mr. G. E. Smith) appeared on behalf of West Ham County Borough Council, East Ham County Borough Council, Croydon County Borough Council, Walthamstow Borough Council and Wanstead and Woodford Borough Council.

Mr. S. H. NOAKES (instructed by Mr. N. P. Lester) appeared on behalf of Hastings Borough Council.

Mr. A. E. TELLING (instructed by Messrs. Radcliffes & Co.) appeared on behalf of the London Passengers' Association.

Mr. P. T. LEWIS (instructed by Messrs. Gaby Hardwicke & Co.) appeared on behalf of the Hastings, Bexhill & District Season Ticket Holders Association.

Mr. ARCHIBALD GLEN, Town Clerk, appeared on behalf of the Southend-on-Sea County Borough Council.

Mr. F. A. RULER, represented the Federation of Residents' Associations in the County of Kent.

Mr. D. J. D. WELLUM, represented the Benfleet & District Railway Travellers' Association.

Mr. JOHN MAGUIRE, F.C.I.S., represented the United Commercial Travellers' Association of Great Britain and Ireland.

Miss DOROTHY D. FORSTER, represented the Walthamstow Trades Council.

Mr. G. A. BAGNALL, represented the Herne Bay Urban District Council.

Mr. BRIAN HUGO HARBOUR, recalled.

Cross-examination by Mr. MILNER HOLLAND continued.

2252. Mr. Harbour, I am sorry, but I did want to ask you one or two other questions about season tickets, more as a matter of figures. Would you have in front of you Appendix "F" to Exhibit BH 15, which appears on page 112 of the transcript of the Fifth Day. This is your table showing the estimated annual revenue and the estimated annual increase in revenue on the basis of ultimately getting rid of the early morning fares, is it not?—It is, yes.

2253. You see in columns 3 and 4 some asterisked figures?—Yes.

2254. As I understand it, taking column 4, the asterisked figures are based on this: You are assuming that half those persons who at present travel at early morning concession fares will transfer to weekly seasons. That is column 4 generally?—No, I am not assuming that half those persons will transfer to weekly seasons; I am assuming that they will transfer to weekly seasons where there is a financial advantage.

2255. You and I are on the same road for once. You are assuming that half the people who travel on early morning concessions are five-day travellers and half are six-day travellers?—Yes.

2256. And you are, of course, assuming that where it pays them they will take out a weekly season?—Yes.

2257. And the asterisked figures are the stages at which it will not pay them?—That is so.

2258. This is relevant, as you appreciate, not to a debate on early morning travel, but so that the Tribunal may fully appreciate the effect of the proposed increase in season ticket rates. It shows, does it not, in column 4, that at five, six, seven, eight, nine, ten and eleven mile stages it is cheaper to pay the full ordinary fare than to take the five-day season?—It would be cheaper to pay the full fare if you are travelling on five days a week.

2259. I do not think your correction of my assumption is justified at all. Your proposals are such that, when implemented fully, the five-day season is of no value to people travelling up to the 11-mile stage in this column if they only want to travel five days; that is right, is it not?—That is right if he only wants to travel to and from work five days a week and does not want to make, as so many season ticket holders do, some supplementary journeys either on those five days or on the remaining two days.

2260. I hear your qualification, but it is inconsistent with your table, is it not, because your table presupposes that these people will not take five-day seasons, it presupposes they will pay full ordinary fares?—This table presupposes that those passengers who now take early morning tickets will, at this range of miles, take ordinary fares.

2261. That is the point, and let us keep it clear in our minds. Your table—and I am not quarrelling with it—presupposes that these people will pay ordinary fares?—Yes.

2262. It does not presuppose the qualification you sought to introduce by your last answer but one, that a lot of them will, in fact, take a weekly season because there is the possibility of additional journeys nothing to do with going to and from work?—This table is based on the presupposition you have made.

2263. This is right, is it not, that up to the single mileage of 11 the ordinary fare, under your proposals when fully implemented, will be cheaper than the weekly season ticket for five-day travel?—Yes.

2264. The present situation of your present scales is that it just pays the five-day man to take a season ticket on a journey of eight miles?—I have not got the figures before me for the present weekly season. I think you are right, it just pays.

2265. I have not supplied you with a computation, and I apologise because I should have done, but I thought you would probably be willing to accept it. As we understand it, your existing weekly season ticket rate for eight miles is 13s. 3d.?—I can just check that. You are quite right; the present weekly season ticket rate for eight miles is 13s. 3d.

2266. And the present return fare for that distance, ordinary, is 13s. 4d.; five times the return fare for that distance is 13s. 4d.?—The ordinary return fare? May we just do the arithmetic: The present ordinary single fare is 1s. 4d., so the return would be 2s. 8d., and five times 2s. 8d. is 13s. 4d.

2267. So that on eight miles, under your present rate, it just, by a margin of 1d., pays the five-day traveller to take a weekly season?—Yes.

2268. I am not going to hurry you at all, but I do not want myself to be involved in heavy tables. Just to check it, on your proposed maxima the first time the five-day traveller gets an advantage out of a season ticket is at the 12-miles stage now, is it not? Let me give you what I think are the figures, and I think you will find they are probably right: A weekly season-ticket rate for the 12-mile traveller will be 20s. 6d. on your proposed maxima?—Yes, you are quite right, it is at 12 miles if he takes a weekly season ticket. He could, of course, take a monthly ticket.

2269. My questions are directed to weekly seasons at the moment so as not to confuse anybody, but I will not omit monthly seasons. All I am asking you is this: Your Appendix "F" to BH 15 on page 112 of the transcript reflects the fact, which you have agreed, that, assuming your early morning travellers continue to travel five days a week, they will pay ordinary fares for all the stages marked with asterisks in column 4, because up to and including 11 miles it is cheaper to pay the ordinary fare than to buy the season ticket?—Yes, but I would like to say something about the assumption you made. You said assuming all early-morning travellers transfer to season ticket. Your assumption is right if you add the words "weekly season tickets". If they were to transfer to monthly season tickets, a different position would arise.

2270. I follow that. I am looking at your Appendix, which is your assumption and your figures which you place before this Tribunal, and those are framed upon the assumption—with which I do not quarrel, I do not know whether you do now—that this class of person would buy, if anything, a weekly season ticket?—I agree.

2271. Is the reason why you have chosen the assumption that they will change to weekly season tickets that they are people who might not wish to dip into their pockets to the extent of buying, all at one go, a monthly season?—That is true; they are working-class people who live week by week on a budget.

2272. I thought you would frankly and properly agree with me about that. Does that not have some bearing on the questions I was asking yesterday? These are not well-to-do people who can readily buy monthly season tickets?—That I do not agree.

2273. They are just improvident people who live week by week?—No; they are people who have been brought up in a tradition, I think.

2274. But for better or for worse, you do not wish to withdraw Appendix "F" to Exhibit BH 15?—No.

2275. The inference from that is that this particular type of traveller will, if he buys a season ticket, buy a weekly one?—That is the inference, and it is the assumption on which it is based.

2276. I do not disagree with it for a moment. So we have this, that for the five-day traveller—that is to say, the worker who only uses his season ticket for work and only works a five-day week—your season-ticket proposals when fully implemented, will enlarge the distance over which the season ticket is unremunerative from seven to 11 miles?—That is a very general question. "Unremunerative", you say—"unremunerative" to whom?

2277. To the passenger; of course I meant that?—Yes.

2278. I just want to get the implications of these tables. I dare say the members of the Tribunal are familiar with these things and have seen it already, and I hope I am not labouring an obvious point, but bear with me patiently, because it seems to me this may be something of interest. It does mean that when these proposals are fully implemented you have to have a journey of more than 11 miles to make a weekly season ticket worth while to you, the customer; that is right?—Yes.

2279. While, of course, you properly welcome anything which you think will produce additional revenue for London Transport, do you firmly support that consequence as a desirable one from the interests of the public as well as London Transport?—I support this proposal from the interests of the public as well as London Transport; and when I say "the public", I am concerned with the interests of the whole of our passengers, and they are the public I mean. In putting forward this proposal we are asking Londoners to do no more than to pay the cost of their ride, and we are seeking, in so far as early morning fares are concerned, to eliminate the concession which in the past has been given at the cost of other passengers.

2280. Mr. Harbour, those are noble sentiments, but for the moment I am on a slightly narrower point. I am seeking to test through you the validity and desirability of a number of changes, and I am asking, in relation this time to season tickets, whether you think that it is right that in London a journey up to 11 miles for the regular traveller who travels five days to work should be such that he could obtain no concession for his weekly season ticket? You say that is desirable?—I am not quite clear. I am sorry to be seemingly difficult, but I must be clear in answering your questions. You then, in your question, seemed to me to be turning to the general question of season tickets. If you are talking of the people who are now using early morning tickets and who will, under the assumptions employed in Appendix "F" to BH 15, transfer to weekly season tickets on a five-day basis, then my answer to your question is, "Yes, I think it is desirable."

2281. I do not think it is the function of cross-examination to argue further. I have got your answer and I will make my own submissions about it. While we are on the tables—and forgive me if I enter into a little detail, I am not going to do very much—may we just look at your Exhibit "C 1" on page 114. I only want to get this clear: I do not think it matters very much, but we ought to know where we are, and you state in the second sentence of Note B: "Figures slightly overstate the actual number of passenger journeys on road services because of limited amount of double issue of tickets mainly to cover certain longer journeys." If there is anyone in the room except me who did not understand that when they read it, he would, no doubt, be grateful if I just asked you this: That means, does it not, that for fares of, say, for example, 1s. 2d. you issue two 7d. tickets?—Yes. It really derives from the use of the ticket-issuing machines on our road services which have a range of fare denominations which end at 11d.

2282. I only want to get it clear that "double issue of tickets" means an issue of two tickets to cover one journey?—Yes.

(*President*): In other words, on road services the figure is tickets sold and not necessarily journeys made.

2283. (*Mr. Milner Holland*): So that does have the effect of over-stating the number of journeys in Exhibit "C 1"?—To a slight extent.

2284. If you go by the number of tickets you get too large a figure for the number of journeys?—Yes, to a slight extent.

2285. I suppose on the roads it is every journey over 11d., is it, which is affected by that, if the machine only produces an 11d. ticket?—Yes. It is, of course, a very small proportion.

2286. (*President*): It is £11m., is it not, on the Central road services out of £2,700m.?—Yes, that is about the proportion, Sir.

2287. (*Mr. Milner Holland*): There is one other thing of pure detail: In Appendix "C" to BH 15—on page 111 of the transcript—you do show no increase from the yield of the 3d. fare on the footing—which, of course, I fully understand—that it is not to be increased?—Yes.

2288. So against 3d. you show no yield at all either gross or discounted?—That is so.

2289. But some of these 3d. fares would be children's half-fares, would they not?—Half the present 6d. fares, yes.

2290. For example, where on this table have you taken credit for the fact that you are proposing to raise fares and at the same time to run up the half-pennies to pennies?—You cited the case of a 3d. fare, and I do not think it arises in those cases; but in Appendix "C" the effect of the proposed alteration of the fractions rules has been allowed for, and its effect is seen in the lower fares of 1½d. to 2d. and 2½ to 3d. They are identifiable children's fares. I agree that there are children's fares at the higher fare categories, but owing to the mechanised ticket issuing system which we have, those children's fares are difficult, in some cases quite impossible, to identify separately.

2291. What I am after—and I may be misunderstanding this, because I find it extremely difficult—is this: At present you are getting some 3d. fares which are, in fact, children's half 6d. fares?—Yes.

2292. What is going to happen on that journey when your proposals are fully implemented, what becomes of the 6d. fare?—The 6d. fare will be 7d.

2293. And a half of that is 3½d.?—It will be 4d.

2294. Half of it is 3½d. and it will become 4d.?—Yes.

2295. Where have you taken credit for that?—I have taken credit for it in increasing the whole of the existing 6d. fares to 7d., and in so far as the existing children's fares at the 6d. range are now issued at 3d. and will become 4d. under the new rule, I have not allowed anything at all for it in the yield.

2296. That is what I rather thought. It means your yield is rather under-estimated?—In that small respect, but I claim that it is over-estimated in some other respects. I cannot identify that small group of children.

2297. Let us just look at it and let us see what you mean by "a small respect". I am going to suggest to you that one might expect 33½m. of the journeys to be in this category. I will tell you how I suggest it: Just turn to Exhibit "C 2."—which is on page 115—and look at the fare of 2½d. in the bottom part of the table?—In the second table, yes.

2298. That fare of 2½d. must be a children's fare, it could not be anything else, could it?—In the main it is a children's fare. We have, in fact, some 2½d. adult fares on certain of our outlying routes where a fare has to be maintained because of a similar fare on parallel services operated by other workings.

2299. Look at your Note B, which we read with care. That says, in the third sentence: "Fare values in column 1 which do not appear in the existing standard scales are children's fares."

(*President*): It goes on, Mr. Milner Holland.

2300. (*Mr. Milner Holland*): ". . . certain through fares to sections of line on which British Railways' charges apply and certain country bus fares." I see; that is the qualification you are mentioning to me?—Yes.

2301. Would you agree that you and I have to be awfully careful with the words we use, but the bulk of these fares are children's fares? Mr. Fay's word was "predominantly", yours was "the majority", and mine was "most". Use any word you like, we will not quarrel about that; but let us take your own proportion. Is it more than 75 per cent.?—You have put me in an extreme difficulty, Mr. Milner Holland, because we are working on a mechanical ticket issuing system where it is very difficult to identify the fares issued to children and adults. I will agree with you that more than half of these are children.

2302. I wonder whether we could simplify this, because I do not want to be bogged down by your skill in qualifying. Would you just take column No. 4, which relates to Central road services. In the figures in column No. 4 there are no journeys except children's?—I think there are some fares on Central road services which are held down by parallel workings. Shall we agree, Mr. Milner Holland, that the bulk of them are children?

2303. I thought it must be so. Before we agree that, even your careful third sentence to Note B does not mention any qualification which would apply to Central road services?—No, it does not.

2304. Perhaps we may start from a probability that I am right, that the figure in column 4 of 25·6m. journeys at 2½d. represents all children's fares?—Shall we start from that.

2305. I do not want to be told afterwards that you have not accepted it, because I have, after all, a duty to my clients?—The great bulk of that must be, I agree.

2306. I am just wondering whether that is right. You see, when you thought I was going to talk about the total number of journeys, you introduced the qualification, to which attention is drawn in your Note B, about lines on which British Railways' charges apply and certain Country bus fares; now when I seek to, shall we say, pin you down—as I am quite entitled to do—by taking the column which does not contain either of those qualifications, you give me a straight answer and agree with me that on the Central road services the 2½d. fares represent the children's fares?—Yes, I agree.

2307. (*Mr. Milner Holland*): If we may now proceed from that, the point I want to make is that 25·6m. journeys, which are children's fares, represents about 1/11th of the total number of journeys in that column; it is 25·6m. against 2,718m.?—Yes.

2308. So do you think it would be a reasonable assumption that the 3d. children's journeys might be about 1/11th of the total of those——

(*President*): Did you say 1/11th, Mr. Milner Holland?

(*Mr. Milner Holland*): Yes, Sir. The point I am putting, although it may be somewhat obscure——

(*President*): But is 25m. 1/11th of 200m.?

2309. (*Mr. Milner Holland*): I am so sorry, Sir; I dropped a clanger. (*To the Witness*): I put the wrong total to you, Mr. Harbour; we have now agreed that 2½d. represents children's fares, and it is half the 5d. adult?—Yes.

2310. And the 5d. fares are 297m.?—Yes.

2311. And 25m. is about 1/11th of 297m.; is that about right?—Yes, that is about it, Mr. Milner Holland; I fell into the same error.

2312. Yes; I secured your agreement, which was in itself a remarkable achievement, to something which was in error. I was wondering whether you would agree that the 3d. fares, in so far as they are children's fares, could be reasonably be regarded as about 1/11th of the 6d. fares; that would be a reasonable inference, would it not?—It is not an unreasonable inference; but I have no idea what proportion of the 3d. fare represents children.

2313. Try to be as fair and as reasonable as you can; if 2½d. is 1/11th, it is probably 1/11th of the 6d. fares and the children's 3d.?—Yes.

2314. And the 6d. fares are 370m.?—Yes.

2315. And 1/11th of that is somewhere about 33½m.?—Yes.

2316. So all I want to put to you is that when you say it is a trifling affair, we are talking about 33½m. fares of 3d. or thereabouts?—Yes.

2317. Which will now be 4d.?—Yes.

2318. Because the 6d. goes up to 7d.; half of that is 3½d., and you are rounding up, so that means that the children's fare will be 4d. for the same journey?—Yes.

2319. Have you taken account of the increase in revenue from 3d. to 4d. on something like 33½m. journeys?—No, but I must point out that on some occasions it works in the reverse way; for example, I have shown that the 6d., 7d., 8d. and 9d. fares and some others are going up by 1d., and the yield has been calculated accordingly. In fact, besides being children's fares, all those fares are

used for the double issue of tickets on the road services, because of our mechanised ticket system, and I have allowed there for a full increase in those fares. It is one of the difficulties I have been up against in constructing this table, to differentiate at each stage these children's fares and the extent to which the full adult fares are used for double issue purposes.

2320. I would not quarrel with the very difficult calculations you have had to make ; I just wanted to call attention to what seemed to be an under-estimate——

(*President*): If you apply those thoughts not to the number of journeys, but to the revenue received on the existing children's journeys, you reach a different conclusion if you look at the top of Table C 2, Mr. Milner Holland.

2321. (*Mr. Milner Holland*): Yes, Sir, but I do not believe that the decision of the Tribunal is going to turn on niceties of mathematical calculation, and therefore I am not imperilling what remains of my sanity by going into these mathematical quizzes. I dare say you are right, with the greatest of respect ; it is impossible to do more than to make some sort of estimate in these matters. (*To the Witness*): I have asked you once or twice, Mr. Harbour, and therefore I will not put any further questions to you about it, about the discounts which you contemplate may have to be allowed for between the gross and the net yields of your proposals when fully implemented ; but I want to pass from that to your view of the probable results for 1959. As I understand it, in arriving at your 1959 budget, you have estimated that the combined effect of the strike and of the general downward trend leads you to think that you will lose £3·6m. on those accounts alone?—Yes.

2322. And when you speak of the effect of the strike, you are attempting—and I agree it is very difficult—to measure the permanent effect of the strike?—Yes.

2323. I think the effect of your answers—if you can give it to me in general, we need not turn them up in particular—is that you say that it is something like 1½ per cent. or 2 per cent. for trend, and 2½ or 3 per cent. (or 3 per cent. or 2½ per cent.) for strike?—Yes ; you have got it the right way round.

2324. And that gives a total downward trend of roughly 4½ per cent. ; well, it is rather more than half of that for the strike, and rather less than half for the downward trend?—I have not my previous references, but——

2325. This is very important, Mr. Harbour ; I do not want to hurry you in the least. I find the references, or one of them, at Question 494 on page 70 of the transcript ; this is where we get the general downward trend. Mr. Fay says this : "Supposing there had been no bus strike, how much would you have allowed nevertheless for the decline of traffic? " and you answered : "I should have allowed more than I allowed last year. Even if there had been no bus strike in 1958, I should have felt it necessary to allow for a drop in traffic next year, 1959, of 1·5 or 2 per cent. over all services ". Then Mr. Fay said : "It follows, does it not, since you have allowed altogether 4½ per cent., that you have allowed from 2½ to 3 per cent. for loss of traffic due to the strike? ", and you agreed to that?—Yes ; thank you for reminding me.

2326. I am just curious about this ; this question of the forward estimating for the 1959 revenue is, of course, a very important and major matter, is it not?—It is.

2327. It makes a big difference to the figures, does it not, and I was just puzzled, let me say, that you are needing to look at your previous references in order to make sure that I had correctly quoted you. Are not those percentages matters to which you have given very long and earnest consideration?—They certainly are.

2328. Then why could you not remember them without seeing them in print in the transcript?—I could.

2329. I naturally want to ask a few questions about them : First of all, do not bother to do it yourself, but ask someone whom I am sure will be able to do it for you, to check up that your estimated budget of £78·3m. for 1959 represents an average over the year of about £1,505,000?—I am sorry ; I cannot follow that.

2330. You see, what you have done and quite rightly done, is to produce a table, Exhibit BH 17, which we find on page 28 of the transcript ; that shows the weekly budget figures in thousands?—I am sorry, but I cannot carry all these figures in my mind.

2331. Of course you cannot, but it will save a lot of time in the end——?—Would you give me the reference again?

(*Mr. Milner Holland*): I am looking at your Table BH 17.

(*Mr. Fay*): Would it not be better to look at BH 17 (Revised), which is the final table and which appears on page 120 of the transcript?

2332. (*Mr. Milner Holland*): Certainly ; I do so with pleasure—it does not make any difference to what I am putting. (*To the Witness*): That sets out, as we well remember, the budgeted and actual weekly figures for 1958?—Yes.

2333. The first question I want to ask you is only a mathematical one, and perhaps you will have it checked, unless you have calculated it already for yourself. The budget for 1959 of £78·3m. represents mathematically an average weekly figure of £1,505,000?—That is right ; dividing it by 52.

2334. Next, would you agree with me that it is difficult to draw any inferences from short periods, because they are, of course, affected by weather, fog and individual occurrences?—One must be very careful in drawing inferences from short periods, but that does not debar one from drawing them.

2335. But obviously an inference drawn from one week is likely to be wildly wrong if that week happens to have had something special in the way of weather or a public event?—One has to be very careful in drawing inferences from a particular week.

2336. And in order to determine such matters as trend, would you agree that the longer the period over which you can examine it, the more reliable your calculations are likely to be?—Yes.

2337. And we are really only now about six months after the termination of the more serious immediate effects of the bus strike?—Yes.

2338. I think you were given yesterday some comparatively simple tables, with which I think you are not likely to quarrel, showing the general trend over the past three years and over the past four years?—Mr. Hill, late last night, did hand two tables to me, which I know are headed SWH 1 and SWH 2.

(*Mr. Fay*): This is rather an irregular procedure, is it not? I understand that my learned friend's witness handed something to my witness, but it would be a convenience, perhaps, if my learned friend's instructing Solicitor handed a like document to my instructing Solicitor so that we can follow it.

(*Mr. Milner Holland*): I am sorry that was not done. The tables themselves were constructed very recently, and it was suggested to me that if Mr. Harbour was going to be asked any questions on them, at least he should see them as soon as possible. I am sorry, and I apologise for any discourtesy if the tables were not handed to Mr. Fay's instructing Solicitor.

(*President*): Yes, I think it would have been more regular if that had been done. Now that Mr. Harbour has had an advance copy, may we and Mr. Fay have an "unclassified ", or "late " copy, whatever it may be?

2339. (*Mr. Milner Holland*): Yes, certainly, Sir. (*Schedules SWH 1 and SWH 2 handed.*) (*To the Witness*): The purpose of these tables SWH 1 and SWH 2 is to show that over the years 1954, 1955, 1956 and 1957 the average annual decline has been about £0·6m. a year?—Yes. I question one or two of the figures, but I agree that that is the purpose of the table, and it is about right.

2340. Yes, I thought you would agree. I do not know whether it is necessary to examine these tables in immense detail, because I recall that either you or Mr. James—I think it was you—said in evidence that the decline in 1957-58, based on the budget for 1958, was £0·7m.?—I did.

2341. And that is thrown up in these tables. So you would agree, would you not, that over the past four years the average annual decline has been something of the order of £0·6m., and that the decline from 1957 to 1958, on your budget for 1958, was £0·7m.?—I agree. For the purposes of accuracy, there are some of these figures

which should be adjusted in the light of my expectations and in the light of the evidence which has been given.

2342. I am very anxious not to take up unnecessary time; if you agree with me generally about the tables, we will not deal with them. The method of arriving at these figures does not matter very much; would you agree that broadly speaking that presents a correct picture of the position?—Broadly speaking, yes.

2343. And we can start, therefore, with the picture in our minds that your view, when budgeting for 1958, was that the general decline—of course you did not know anything about the strike then—was on the basis of about £0·7m. for that year?—Yes.

2344. And, as we know—and as you quite rightly pointed out with pride—your budget, until the strike unhappily occurred, was a very successful one; it was a very successful one for the first months?—Yes. The strike began on the 5th May, and there was remarkable correspondence.

2345. I want, if I can—I think you have tried to do it too—to separate in our minds the effect of the strike from the downward trend, which one might possibly expect even if there had not been a strike?—Yes.

2346. You have tried to do that and you agree that it is possibly a useful exercise, although one has to be using judgment and nothing else?—I agree; it is useful but difficult, and one can only rely upon one's judgment.

2347. A downward trend of 2 per cent.—that has nothing to do with strikes, but it is one of your alternative figures—represents, does it not, £1·65m. less revenue?—Yes.

2348. And a downward trend of 1½ per cent. represents a loss of revenue of £1·25m.?—Yes.

2349. I ask those questions with diffidence, because I did not know?—I think they are right.

2350. So that bracketing your two figures of 1½ per cent. and 2 per cent., which are the figures you gave for downward trend, it is plain, is it not, that you are telling the Tribunal that you expect the downward trend, apart from the strike, for 1959 to be twice as sharp as it was in the previous year?—Yes.

2351. And a little more than twice as sharp as in any of the preceding years, that is to say, 1957, 1956 and 1955?—I do. I am very apprehensive about the future trend of our traffics, due to the competition—the very severe competition—which we are meeting and which we will meet from private means of transport.

2352. I think you have given some suggested explanation of this, but I do want, at the risk of getting answers I do not care for, to have a game with you to see whether you will be right. What is it, apart from the strike, which has suddenly made you take this much more pessimistic view since 1958 and 1959; is it the removal of hire purchase restrictions?—It is. It is the general easing of credit restrictions.

2353. There is no doubt, is there, that the general tendency to buy little cars and Lambrettas and that type of thing—the small scooter; I forget their names for the moment—has been going on for a long time?—It has been going on for a long time, but it is getting increasingly severe. The sales of these things are increasing.

2354. That tendency was, of course, in your mind when you budgeted for 1958; I suppose it was very prominently in your mind?—Yes, but let me add this, that when I budgeted for 1958 I made no allowance whatsoever for the lessening of the restrictions on hire purchase and other means of credit with which I now have to contend.

2355. I thought that was your main point: That it was the facilitating of hire purchase transactions that was really alarming you about 1959 on this aspect of the case; is that so?—Yes—not only hire purchase, but all these other credit arrangements which can now be made; there are personal loans and a number of others.

2356. But giving them any generic term you like, or which you think is fair, it is the obtaining of credit, making it easier to buy scooters and little cars?—Yes.

2357. So we have this, looking at it as best we can as a matter of judgment, that in constructing your 1958 budget you were seriously concerned about the little car and the scooter; in budgeting for 1959 the main difference—and I want to know about this—is the easing of credit?—Yes. You mean on that part—the general downward trend?

2358. Yes?—I am very disturbed at the results which will flow from that easing of credit.

2359. And that, as I understand it, is the reason why on this alone, supposing you had been before this Tribunal on a similar Application but there had never been a bus strike—and we all wish there had not—you would have been saying to the Tribunal that although the decline is £0·6m. or £0·7m.—it is £0·7m. in the last period—we are now asking you to believe that the decline is going to be about double?—That is so, and I think I have some evidence to support that that reduction has in fact been felt. on Exhibit BH 17a.

2360. I wondered if you would do that; that is why I first asked you if you agreed with me that it was very unsafe to make inferences from short periods, but of course, as you say, you are entitled to——

(*President*): Of course, it is probable that by the time we make up our minds on this Application we shall no longer have to gaze into the crystal; we shall have had a sufficiently long period to make a judgment possible.

2361. (*Mr. Milner Holland*): I do hope not, Sir. I must say that it gives me the utmost pleasure to appear before you, but I am most anxious not to be appearing—on this Application; I hope I may appear on others—when you have enough receipts to form a reliable judgment on the amount of traffic. I make that with all the qualifications that it is very enjoyable for me to appear before you. (*To the Witness*): But your estimation for 1958, so far as we can see over the really quite considerable period of more than four months, looks as if it was about right?—Yes.

2362. Now, of course, the permanent effect of the strike, turning to that for a moment, and taking it as far as we can, is a matter to which you ascribe a decline of 2½ per cent. to 3 per cent. These are rather easier figures; that is a drop of £2m. if it is 2½ per cent., and about £2¼m. if it is 3 per cent.?—Yes.

2363. Because you are budgeting for a total loss of £3·6m., and that works out about right?—I think that is right.

2364. It is a fact, is it not, that your £78·3m. budget for 1959 represents an average figure of about £1,505,000? Yes; I think we have worked that one out.

2365. I put it to you, and I can assure you that it is right—I have done the exercise so many times—that curiously enough that represents as the average the worst weeks of any normal week in 1958, looking at the results. Will you now look at Exhibit BH 17 (revised) on page 120 of the transcript and go upwards from the bottom. We cannot get much help on averages from the last two figures or from the Christmas week, which is an abnormal week, and then you find £1,584m., £1,562m., £1,507m.; then there are four weeks in September, £1,532m., £1,540m., £1,536m. and £1,547m.; and three in August, £1,544m., £1,540m. and £1,516m.—they are all round about the £1,505m. mark?—Yes.

2366. I want you to follow up the column and see if you can agree that those four weeks are the four worst weeks of the year except for odd and perhaps special weeks. Let us go up: It is £1,543m., £1,564m., £1,560m., £1,528m., £1,545m., £1,532m., £1,540m., £1,536m., £1,547m., £1,544m., £1,540m.—and now we come to £1,461m. That is the week of the 24th August; that is right in the middle of the holidays?—Yes. I forget what exactly happened there.

2367. It was not the time of the cloudburst, was it? It has been suggested to me that everyone would have been travelling on the upper decks of your buses then. However, there may be some special reason for the week of the 24th August. Then we have: 17th August, £1,516m., 10th August, £1,481m.—that is Bank Holiday week, which I think you would agree is not much to go by?—Yes.

2368. Then there is: £1,523m., and then I suggest there are the periods which are too near the strike to be regarded as being of much guide, but even they are only about £20,000 to £30,000 lower than your projected average?—Yes.

2369. Then we go up through the strike, when the figures are all to pieces. Before the strike, the only

periods where we get anywhere near £1,500m., I think I am right in saying, are the two special weeks with Good Friday and Easter Monday in them?—Yes; you cannot compare those.

2370. I agree. The earlier period is before the strike, and we are talking now of projecting from some permanent damage because of the strike. The only point I want to put to you and see whether it affects your mind, is that based again on a pretty long period after the strike and with the exception of the 24th August, about which I do not know, the average of your 1959 budget, which is £1,505m., happens to fall just about in your four worst weeks in 1958?—You are comparing figures and on that basis I think what you have just said is right. But I am not sure; indeed, I think I must make this qualification, that you have taken a range of figures to compare the estimated average for 1959 which runs, as we have said, from the beginning of August to the end of the year. I think—I have not done it—that if we were to find the average weekly receipts from this budget of £82,240,000, you might get a similar result, because by casting your eye down the figures you will see that the weekly receipts in the second half of the year tend to run above those certainly for the first three months of the year.

2371. I have done part of that exercise myself, I hope with some accuracy, and the average to compare with £1,505m. is £1,581m. The average of the 1958 budget—although, of course, there is no such thing—taking it at £82,240,000, is £1,581,000; and you will find, if you look at it in that way, that a lot of the weeks after the strike, starting if you like at about the 17th August, are budgeted to be round about £1,581,000. There are quite a lot of average weeks, if we are going to do this—I am not putting too much stress on them—and if you take £1,581,000 as the average, you will find that a lot of the weeks after the bus strike were budgeted to be about that figure; some of them were less, but a lot of them were within striking distance of £1,581,000. Does that suggest to you that they are sort of normal weeks, or does it not?—I am sorry to ask you this, but the £1,581,000 is the average of the budgeted year 1958?

2372. That is right?—If you look at this column of figures, you will see that in the first three months of the year the figures are mostly below £1,581,000; that figure is not reached until the week of the 16th March, and therefore one would expect that subsequently to that the figures would run above £1,581,000.

2373. They do; your best figures—and unfortunately it is impossible to do much with this when tested by receipts—fall in May, June, July and December; it is the middle of the year, the summer months, and December?—Yes—May, June and December.

2374. And May and June are not of any help to us; they are affected by the strike. Let us see, at any rate, whether this is not unreasonable—we can play about with averages and get a lot of silly answers—just to accept £82,240,000 divided by 52 is £1,581,000?—Yes.

2375. Then you would expect that a week in which you budgeted for £1,581,000 or within a few thousand of that, is probably a week with no abnormalities about it?—Of course, in fact I have not budgeted for any week for £1,581,000; that is an arithmetical calculation.

2376. But it so happens that you have, Mr. Harbour; you have done so in the week of the 9th November. I am not going back on what I said about short periods, but just for the fun of it, I will talk about one. Let us see what happened after the strike, including downward trend and so on. The week of the 9th November, you thought would be £1,581,000, whereas actually you took £1,543,000, and 52 times that is millions higher than 58·3. Just for the fun of it, if you are going to look at it as narrowly as that, is that right?—I am not proposing to look at it as narrowly as that.

2377. I only took you up on that, because you thought you had got one over me by saying that you had not budgeted for any week at £1,581,000, whereas in fact you had?—It was not that at all, Mr. Milner Holland. I can do another one now; admitting that this was a short period, there was nevertheless some confirmation of the 1959 budget that I had prepared.

2378. You are entitled to do that, and I dare say Mr. Fay will mention it when he addresses the Tribunal in due course, and so shall I; but we have the figures there, and so far as facts go, they are facts. But I was interested for a moment to go back to Exhibit BH 17 (revised), at page 120; we have at least four months there—perhaps a little more—which are post-strike, and it is difficult to tell how far after the strike these figures show any definite trend of recovery from the strike or not. I think you will agree that it is very difficult on those figures, as figures, to do more than make an informed guess?—I would agree with that. The traffic situation was seriously disturbed——

2379. Yes; nobody has challenged that, Mr. Harbour. Would you think it a useful exercise at all to take, in Exhibit BH 17, not one week, but several weeks—say ten? Take the ten weeks after the strike, which came nearly to your average, and see what happened to them—or would you reject that test completely?—I would not be satisfied to rely on a test of that sort.

2380. You have not done it yourself?—In my evidence-in-chief I think I gave some figures; I did not take ten weeks, but I gave some figures.

2381. I only want to know, because if I construct any argument on it, I want to have your view on it before doing so. You have followed me, have you not? If the average for the whole of the 1958 budget is £1,581,000, would it be a useful exercise to look at the figures after the strike for the weeks—not just one week; that would be too small; but for the weeks which appear to be nearest to the average, and see what happened?—It would not, in my view, be a useful exercise, because the average you have quoted, £1,505,000, is a totally unreal figure to me. I cannot divide the total year's receipts by 52 and think that that average has any reality.

2382. If you cannot think that, then, of course, you could not possibly accept any argument based upon averages, and we need not take time over it?—No.

(*Mr. Fay*): If my learned friend is passing from these two tables, would it be convenient if I were to give the next line in Exhibit BH 17a, which is now available?

(*President*): That is for the week ending 1st February, Mr. Fay?

2383. (*Mr. Fay*): Yes, Sir; it has come in this morning, and it can be added to that table. Perhaps Mr. Harbour would check the figures that I have been given, as I give them. They are as follows: Actual receipts £1,416,000; deviation from budget, minus £24,000; cumulative figures: Actual receipts £7,238,000; deviation from budget, minus £38,000; percentage deviation, minus 0·5. Is that right, Mr. Harbour?—I agree.

2384. (*Mr. Milner Holland*): That is very impressive, is it not, Sir, coming so psychologically at the right moment! (*To the Witness*): Now may we go on a little further. It comes to this, does it not, that you are now saying that because of the increased facilities of credit you would in any case double the downward trend?—Yes.

2385. And for the downward trend of the strike you would add more than that amount again?—I certainly would.

2386. But this must be a matter of pure estimation; I am not quarrelling with you, as a person, for doing it, of course, but it must be a matter of pure estimation, must it not?—It must be. We are projecting our minds forward here to the best of our ability, to the whole of the year 1959; we are doing that in the light of what has taken place since the strike; the rest is a matter of judgment.

2387. I have one last question for you, which is this: At this moment when in your view the temptations presented by the alternatives of the small car and the scooter are so great, do you not think that if there is any time, this is the worst possible time, to make increases in fares which you yourself think will produce a further loss of traffic?—No, Mr. Milner Holland, I do not share that view.

Cross-examined by Mr. Telling.

2388. I have a few questions to ask you on behalf of the London Passengers' Association. As I understand your replies to my learned friend, Mr. Harbour, you are severely concerned about the competition of the private car and similar forms of transport?—Of course.

2389. And in addition, the effect of a fares increase might reflect itself in people cutting out unnecessary journeys such as the jaunt up to Town in the evening and the housewives' shopping journey up to the West End?—My experience shows that all increases in fares have a deterring effect on traffic, and I have allowed for some loss of traffic in the statements that I have submitted to the Tribunal.

2390. I do not think there will be any quarrel between us about this, but this is essentially a matter of judgment as to what discount you provide?—I agree, but it is informed judgment; it is judgment which is governed by experience and in the light of what has happened in the past. This is not a new exercise, although the conditions vary every time.

2391. Yes, just as I suspect you have based yourself on past experience of fares increases over the years?—That has been one element; one has to take into account current circumstances and the circumstances likely to prevail in the future.

2392. What other current circumstances are there; could you draw the veil aside a little more?—I do not quite follow you. The circumstances which exist at the moment are that we are faced with a potential loss of traffic as a consequence of the growth in the use of private motor cars and other forms of private motoring.

2393. In fact, what you are saying is that past experience is not a complete guide and that one must have a look at current trends as well?—Entirely; not only current trends, but the current circumstances which condition the whole background of London traffic.

2394. Would one of those current circumstances be the quite severe cuts in services which were imposed by London Transport and which have been continuing this year?—I do not think so. It is true that substantial reductions in mileage were made towards the end of last year; it is true that certain routes which were not paralleled by other routes were withdrawn, and where we have withdrawn a route which had no parallel service, of course, we have lost traffic as a consequence of that withdrawal, but the withdrawals were very few and the adjustments in our services which were made—and they were heavy ones—were in the main reductions in the frequencies of service. But those were made to meet a loss of traffic which had occurred before the reductions were made and even now with those curtailments the mileage we are working shows a smaller drop compared with a base year—say 1950—than the drop which has taken place in the passenger traffic.

2395. You are saying that the number of services completely withdrawn are comparatively few and apart from that you have thinned out other services to some extent?—That is so.

2396. In terms of inconvenience to the public the effect of that can be very considerable, can it not?—I do not think so. I would not seek to deny for one moment that the withdrawal of a route in some isolated area where there are no alternative facilities whatever might cause inconvenience and possibly hardship; but it has to be done if the route is making a very serious loss. I would not regard the widening—and it has only been a slight widening—of service frequencies in order to meet the smaller traffic has caused any serious inconvenience.

2397. I do not know whether it is fair to put details to you of one or two particular services, but I think I ought to give you the opportunity of commenting on them because it will be part of my evidence at a later stage—

(*President*): Are you going to call witnesses?

(*Mr. Telling*): I shall be calling at least one witness, Sir.

(*President*): Then you had better put the details to Mr. Harbour; if he does not know about them, he will say so.

2398. (*Mr. Telling*): I am obliged, Sir. (*To the Witness*): Can you recall a trolleybus service No. 664?—Yes.

2399. I think that service has been completely withdrawn, has it not?—Yes and it has not been replaced by a petrol bus service or by any alternative? No. It was completely withdrawn, but it operated over routes over which, to the best of my memory, buses were operating and do operate today.

2400. It serves quite a heavy industrial area in Acton, I think?—Yes.

2401. And as a result of that withdrawal of service there are very long queues, and people have to wait a long time now before they can get on a bus?—You are referring to the Acton Industrial Estate. There were always heavy traffics emerging at the close of work from those factories, and the traffic to and from this particular industrial estate—and it certainly applies to the majority of them—which is using public transport as against private transport has been declining over the years. If one goes to the Acton Industrial Estate today, one will see that the proportion of the workers there using private transport is mucb greater than it was, and tbat applies generally throughout London.

2402. But notwithstanding that factor, the queues for buses today are greater than tbey were before the service was withdrawn?—I am not able to say tbat at this table from the information at my disposal.

2403. Then may I put another trolleybus service to you, service 683, which I am instructed starts from Moorgate?—Yes.

2404. That service has been withdrawn, has it not?—Yes.

2405. I think that the people who originally used service 683 can, theoretically at least, now use service 76?—Yes. I do not know that there is any need to qualify it; they can use service 76.

2406. I am coming to that. People getting on at Moorgate, if they had service 683, would get on at the terminus?—Yes.

2407. Whereas service 76 comes into Moorgate and through, already loaded?—Service 76 is a tbrough route; it will have passengers on it as it passes that point. It will inevitably occur that where you are boarding vehicles at an intermediate point you will probably not be so favourably situated—or you will not be so favourably situated—as if you had boarded at a terminal point, where you have the advantage of an empty vehicle.

2408. (*President*): If you get there early enough?—Yes, but you have empty vehicles to board.

(*President*): Yes, if you get there early enough. If you get there late enough, it will be full just as it is starting.

2409. (*Mr. Telling*) (*To the Witness*): And my witness will say tbat the result has been that the people are having to queue for service 76 at Moorgate and wait a very long time; they have to wait not merely a matter of minutes but a very long time before they can get on the bus?—That is a matter which I should like to check. It is not my belief that it is taking place, but I will grant you that to board through vehicles as compared witb vehicles starting at the terminus, it may be a little more difficult; but I must remind you that your Moorgate passengers have perhaps been fortunate.

2410. Nevertheless, they will not regard themselves as fortunate when they find the service withdrawn?—Tbat is tbe dilemma we have been in. Traffic has fallen, and we have had to curtail mileage; if we did not do that, of course, we should be asking for much larger sums than those for which we are now asking in respect of increased fares; but we have done our best to economise.

2411. I would like to put to you another aspect of the problems which arise from the reduction of services. I think you would probably agree with me that the Londoner does not travel by a timetable; that is to say, he goes down, or he has been used to go down, to his local bus stop or to his tube station, not bothering about the exact time of the train or bus because he has been used to finding a train or bus coming tbrough in a few minutes?—That is perfectly true, if you are speaking of a Londoner as a person who resides in the built-up, or

more densely populated, parts of the area; and we have encouraged them to do that, as a matter of good commercial practice, because the consulting of timetables is a deterrent.

2412. If he finds that he can no longer rely on these higher frequency services he must either turn to the timetable or put up with a great deal of inconvenience, must he not?—No. I do not agree there because there is an alternative which we adopt for these wider headway services and I do suggest to you that if buses, or trains for that matter, are timed—I am speaking here of widish interval services; services of 10 minutes or more frequency—if they are timed on a standard pattern throughout the day and the traveller knows that a bus will leave a particular point at one minute past the hour, 11 minutes past the hour, 21 minutes past the hour, 31 minutes past the hour, and so on, I do not think he will be inconvenienced.

2413. But even if he buys a timetable, how far, under London conditions, can he rely on the bus being there at the stated time?—Here I must confess that the regularity of London's bus services is not what it should be. It is better in the outer suburbs, naturally; in our country area it is extremely good, but when one comes into the inner suburbs and into inner central London, our bus services are subject to the adverse effects of the serious traffic congestion which exists, and buses are delayed.

2414. And, of course, I do not want to suggest that that congestion is in the least bit the fault of London Transport; it is just one of the many factors of great difficulty which we all realise you have to face. But it does seriously disrupt the regularity of services, does it not?—I would not say it disrupts the regularity of the services; it seriously delays certain buses, it affects the regularity, and it is a matter with which London Transport is much concerned.

2415. So that even where you have, say, a 10-minute service the passenger, particularly in the rush hours, may well have to wait 20 minutes for his bus and then find two coming together?—He can do. There are hold-ups in Central London which last for 10 minutes and they have a most unfortunate effect on the regularity of our bus services.

2416. There is one last point on this: I think you will agree with me that whatever the cause there is a certain growth of public resentment against London Transport. I am not suggesting that it is justified; I am saying that it exists. Would you agree with that?—No, I would not.

2417. Has it not reflected itself in the sit-down strikes on the tube and that sort of thing?—We have had that experience, but to deduce from that that there is a general growth of resentment or, as I heard it put earlier in these proceedings, a worsening of public goodwill, is I think stressing things too far and I do not agree with those deductions.

2418. I think you will probably agree that the Londoner is a fairly even-tempered sort of man or woman?—Very.

2419. (*President*): Well, some of them are; it depends on the circumstances to which they are being subjected?—I think we are dealing with a very broad generalisation here, but I would agree, as a very broad generalisation, that he is very even-tempered.

2420. (*Mr. Telling*): His general characteristic is good humour and good temper?—Yes.

2421. And although there may be only a minority losing their temper in this particular way, it does take a lot to make the Londoner lose his temper, does it not?—I am not suggesting, and I would not like to suggest for one moment, that the people who have become involved in these sit-down strikes have lost their tempers. They have become awkward, and the Londoner—and the Britisher generally—can become awkward.

2422. Yes, but it takes a lot to make him do that and I put it to you that it is symptomatic of a general resentment against London Transport?—That is where I do not agree with you. It is not symptomatic of a general resentment towards London Transport, but I do agree with you that there is no smoke without fire.

2422A. Perhaps it is just a choice of phraseology?—Yes.

Cross-examined by Mr. Grant.

2423. As I expect you know, Mr. Harbour, I represent the Borough of Beckenham. Do you agree, first of all, that from Beckenham there is no Underground service available to London?—Oh yes; you rely on the Southern Region.

2424. Do you also agree that there is no satisfactory bus service to the Centre of London for the Beckenham people who want to go there?—I do not understand what you mean by "satisfactory".

2425. I have not assimilated the full figures, but will you take it from me that the timings of the bus services to London are something in the neighbourhood of 45 to 50 minutes?—Yes, I would.

2426. We will put them in, if necessary, later. That really applies also to the Green Line services?—The Green Line service, to the best of my memory, is shorter than 45 to 50 minutes.

2427. Maybe I have added the local services in there as well. The Green Line services go through West Wickham?—Yes. We can give you the exact timings if they would be of any assistance.

2428. You say they are slightly shorter?—Yes, the average speed of the Green Line services is much greater and the time shorter.

2429. When we get the figures we can had them in and we will see if we can agree them. The distance is round about 8 to 15 miles by rail from Beckenham, is it not?—Between 8 and 15?

2430. From the Centre of London to Beckenham?—You give rather a wide range there, I should have thought.

2431. It is a borough which stretches to the south. You do not accept that?—I am not quarrelling with it, but it seems to be quite an extraordinary range. We can find out the distance from Beckenham Junction Station.

2432. I can, if necessary, give the figures, but there are 12 stations in all, are there not?—Yes.

2433. I was giving the range of all the stations. Would you accept from me, subject to the qualification you mentioned about Green Lines, that on the whole the people of Beckenham must depend on the British Railways "London Lines" services for going to London for their daily work?—Yes. This is a suburban area, and it is one of those areas where a large proportion of the residents are working in Central London, and the time factor will influence them to use the rail services.

2434. I was not quite clear from your evidence-in-chief: Do the London Lines of British Railways come under your jurisdiction?—They do not come under my jurisdiction. They are part of the British Railways' organisation, and I am appearing here before this Tribunal in order to support the case of my own organisation, the London Transport Executive—with which I am personally associated—and also the case for London Lines.

2435. Though it does not come under your jurisdiction, you are the person to whom I should address questions on London Lines?—If you please, and I will try to answer them.

2436. It is right to say, is it not, that, as a result of this Application if it is successful, the passengers who travel on British Railways' London Lines will have increases in their single fares from 2d. to 3d. per mile?—Eventually.

2437. I understand that?—And if it is practical.

2438. I understand that qualification. As far as single fares are concerned, that will put the passengers right out of line, will it not, with the other fares in the London Area, for instance the Underground services and the bus services?—In so far as they would use the ordinary single ticket, but you will remember——

2439. I think I asked as regards single tickets only, I know what happens about day returns?—They will be in the same position as they are today. It is 2d. a mile now, under the Scheme it will be 3d. a mile.

2440. That means it will be 50 per cent. higher for single fares, and that will put them right out of line with the single fares both on the buses and on the Underground?—It will at single fares, but there is the day return.

2441. I understand that. I think you have put in some figures to show that a very considerable volume of single-fare traffic does go on the British Railways' London Lines? —Yes.

2442. You produced, did you not, the figures showing the London Transport receipts in BH 17?—Yes.

2443. I am correct in saying, am I not, that these figures do not include any figures for London Lines?—No, these are purely the London Transport Executive.

2444. We have no figures before the Tribunal showing any fall-off compared with the 1958 budget on London Lines?—I do not quite follow you there. I have placed before the Tribunal in my evidence-in-chief figures relating to London Lines' receipts in 1958.

2445. Is that in BH 15?—In BH 15.

2446. I hope I was right in the question I put to you, which was that there is no table or figures to show any fall-off in receipts, in the actual receipts in 1958, compared with the budget?—Did you say no fall-off in receipts?

2447. Yes, compared with the budget. I think I am not making myself clear, so let us try again. BH 17 shows very clearly a considerable fall-off in traffic in 1958?—Yes, as the consequence of very special circumstances.

2448. Just to tie that up, it is a fall-off in all services you have described, which include the omnibus services, or what you call road services, and Underground or railway services?—Yes.

2449. I imagine, from the evidence you have already given, the fall-off is primarily a fall-off in the bus or road services?—Yes.

2450. But you do not produce any figures, do you, to show any equivalent fall-off or any fall-off at all, in the receipts in 1958 compared with the budget for 1958 on British Railways' London Lines?—I did say something about it in my evidence-in-chief, and I am trying to find a reference to it.

(*Mr. Fay*): I think it is at page 71 of the Third Day.

2451. (*Mr. Grant*): You produce no tables and figures which show any fall-off, do you? The first answer at the top of the page is: "The British Railways' London Lines' budget of passenger traffic receipts for 1959 is £29·1m., which compares with the 1958 budget estimate of £29·2m., a decrease of £100,000." That is all?—Yes. Might I just ask you to look at Q.518, where Mr. Fay puts this question to me: "What are the anticipated gross traffic receipts on those London Lines in the 1958 budget? ", and my reply was: "The passenger receipts in 1958 are expected to be almost equal to the budget, if allowance is made for the additional traffic estimate at £0·9m. which they carried during the London Transport bus strike this year and which they have lost."

(*President*): That has been corrected to ". . . . which they will have lost."

2452. (*Mr. Grant*): Subject to that traffic which came to you as a result of the Strike, which you have since lost, there has been no fall-off in receipts in 1958?—No, subject to that there has been no fall-off.

2453. Unless you want to pray in aid the fall-off of £100,000 out of the £29m.?—No, I cannot.

2454. So the passengers on the London Lines' services have remained loyal and steadfast to the Commission, have they not?—Yes, in the sense that they have continued to use the services.

2455. I suppose it would be right to say that that would apply to the Southern Region electric services which serve Beckenham?—Yes.

2456. Apart from the very considerable rise to which we have already referred on the single tickets on London Lines, British Railways, there is going to be a substantial rise, is there not, on season tickets for London Lines, British Railways?—Yes, eventually.

2457. I understand that. Do not think I am trying to get you to say you are going to do it any quicker than you have told us already. Is it not right to say this very considerably decreased trend which we have had mentioned does not apply on London Lines of British Railways, but the increase is going to be used in such a way that they will have to pay for the decrease in the rest of the services?—No. I want to say this: I think you are overlooking the fact that on London Lines in previous years there had been some additional traffic accruing year by year. In my evidence I think I referred to it when comparing the receipts for 1957 on London Lines with my budget for 1958. My budget estimate for London Lines results in 1959 is equal to the budget estimate of 1958, and no difference is apparent in those figures, obviously, for the continuance in the growth of traffic which has been experienced in recent years on London Lines. I have no doubt that in 1959 the growth of traffic on London Lines will continue, but London Lines are as exposed as London Transport to the effect of private-hire competition, television, and the other things that have affected London Transport. When I agreed with you just now that the users of London Lines would remain loyal to the British Transport Commission—

2458. I do not think I put that to you, I said they *had* remained loyal?—I am sorry. The point I was going to make was that it is our submission that the London Lines' traffic in 1959 will be exposed to a greater degree of competition, and it is for that reason that I have offset any possible addition to the traffic in 1959 which might arise from the greater de-centralisation of the population and the growth of new towns and not allowed for any adjustment increase in the figures.

2459. I do not know whether you are really quite answering my question. What I was suggesting to you was that really you were trying to get out of these loyal passengers rather an unfair rise in fares in order to compensate you for the losses you have suffered on your omnibus and Underground services?—No.

2460. You are trying to get, are you not, a very considerable sum out of the London Lines, British Railways, passengers?—It is a very considerable traffic.

2461. If you look at Exhibit BH 15, the bottom line, you will there see the total?—Yes.

2462. That shows receipts at existing charges of just under £28m.?—Yes.

2463. And a yield which you will get from your increased fares of £8·4m. Those are gross figures, I understand that?—Yes.

2464. That is discounted to a yield of £4·6m. Is it not right to say it is a higher percentage than you are endeavouring to get from the other passengers in the London Area?—It is a higher percentage. In the case of London Lines, I suppose that percentage works out at something like 16 per cent., and in the case of London Transport something like 8 per cent.

2465. It is double the amount?—But I must draw your attention to the reason for that. From the Commission's point of view we are regarding this London Area as a whole, and the reason for that increased percentage is that on London Lines a higher proportion of the total traffic receipts is dealt with in the season ticket category. If you apply to that higher proportion a more severe increase for season tickets—which we are proposing, we think, for good reasons—you will get a higher total proportion.

2466. But, of course, the season ticket holders are the most regular passengers, are they not?—Oh, yes.

2467. Are you picking on them because they are the men who are most likely to continue using your services? —Very definitely not. We are not picking on them or selecting them for any sort of penal treatment at all. We are suggesting that a higher rate of increase is justified on the season ticket rates because the discounts they get at the moment, and have got for many years past, are too great and they are not making a proper contribution towards the costs of maintaining our transport services.

2468. I am not quite certain that you have produced any figures to show that they are not making a contribution to the costs of your services?—I have produced no costings, that is quite true. It would be impossible to cost this season ticket traffic, but we do know that a large proportion of the season ticket holders use their season tickets for travel to and from work and that they constitute a large proportion of the peak hour traffic on the railways, and it is obvious to us that the cost of operating our transport system in the peak hours is more than at other times.

2469. I wanted to ask you one other matter. I think Sir Reginald may have given me a wrong answer, quite inadvertently, but would the decision to raise the fares be made by the London Transport Executive or by British Railways, Southern Region, or whichever Region is involved?—Sir Reginald Wilson was here speaking for the Commission and had particular regard to the position outside London. I am concerned with the London position. In London since 1950 we have followed the principle of assimilation, and I think we all understand what is meant by that. It is our wish——

2470. I asked quite a simple question?—I want to go on. It is our wish that assimilation shall continue in the London Area, and, therefore, if assimilation continues, decisions as to fares must be taken by a central body.

2471. It will be taken by the London Transport Executive?—By London Transport in respect of its own undertaking, by British Railways in respect of London Lines, and the two bodies will act in very close consultation. There will be a common policy.

2472. Then the answer to my question is that it will be taken by British Railways?—After consultation with London Transport.

2473. Just on your point of assimilation, it is a pretty funny sort of assimilation when you are paying quite a different fare on British Railways' London Lines' services from the fare on London Transport Railways?—You are referring to the single fares, and it has always been a difficult feature in our fares structure for the London Area. It has to be remembered—and it is well known to the Tribunal—that the single fares are part of a nation-wide system of ordinary, single and return fares, and for the purpose of assimilation in the London Area we have confined ourselves to assimilation on the basis of return journeys so far as London Lines are concerned, and assimilation on season tickets as well.

2474. I now want to ask you one or two more questions. First of all, you have, I know, envisaged a loss of 7½ per cent. on season ticket holders as a result of this rise, have you not?—Yes.

2475. They, I suppose, will come, as you see it, from all areas?—That is a general loss throughout the London Lines area.

2476. How do you envisage they are going to get to their work?—I envisage them going by private car and other means of private motoring.

2477. And that, of course, will add to the congestion in the centre of London which your road services have to meet?—In so far as they come to and from Central London.

2478. I wonder if you would be kind enough to look at Day Six, page 148. I think I can take you quickly through the first table, because questions were asked on the same subject by my friend Mr. Milner Holland just now. You see what we have done: First of all, we have set out the 1952 figures, because you refer to them, in fact?—Yes.

2479. We have set out the existing day return and weekly season, and also the proposed day return and weekly season, and then we have divided one into the other. That does show, does it not, that, taking weekly seasons first of all, as was put to you this morning, it is unremunerative, if a person is going to work five days a week only, for him to take a season ticket if he lives 11 miles or under away from his work and travels by rail?—Yes.

(*President*): Of course, you do not expect a commuter's journey to be remunerative, but you mean "unremunerative" in the sense that it is no cheaper than the day return fare?

2480. (*Mr. Grant*): Not only no cheaper, but quite a bit more expensive in some cases?—Yes.

2481. I am right in saying, am I not, that that is a complete change compared with the existing arrangements. That is to say, during all that range of 8 to 11 miles it was just remunerative to take a season ticket as opposed to five daily returns?—It was cheaper. We are altering the relationship between the day returns and the season tickets.

2482. Then if we look at 1952—because I think you suggested you were bringing it back to 1952—we find that, in fact, you are making it less attractive than it was in 1952?—I do not think I suggested we were bringing back season tickets to 1952.

2483. I do not think you did, I think you were talking about something different?—Yes, we were talking about London Transport ordinary fares.

2484. If you relate it to the fares with which we are particularly interested, you have not exactly gone back to 1952, you have made weekly seasons less attractive within that range than they were in 1952?—Yes.

2485. That also applies on a similar comparison with London Transport?—Yes.

2486. I am not so much concerned with that, but if you look at BEC 2 I think you will find the same sort of pattern, will you not? We are now dealing with monthly seasons?—Yes; but the point at which you change over comes higher up.

2487. But it is the same sort of pattern?—Yes.

2488. To take the 1952 figures compared with the proposed figures, it is now less attractive to take a monthly season ticket than it was in 1952 and than it is today?—It is less attractive than it was in 1952 to take a monthly ticket, certainly, because the discounts have been reduced, and it is proposed that they shall still further be reduced. There will still remain discounts, and the season ticket, for the bulk of its range, will not be an unattractive proposition.

2489. You said "They have been reduced" and "They will still further be reduced". Do you mean that they have been reduced and they are less attractive now than they were in 1952?—No, I am sorry, I was not right there.

2490. I do not want to rush you over this, but if you look at the 1952 figures, you have kept the ratio about the same between 1952 and the present day?—You are comparing existing with 1952?

2491. Yes, I was for the moment. It is about the same?—Yes.

2492. For a monthly season it is about as attractive?—Yes.

2493. Let me concede rightaway that you get a decimal point of difference because of the difficulties of the currency?—Yes, there are minor variations.

2494. Would you turn to BEC 3, where we have put this in another way. Do you see what we have done? We have set out the day return fares in columns 2 to 4, we have set out the weekly season rates in columns 5 to 7, and we have set out the percentage increase in the monthly season rates in column 8 to 10?—Yes.

2495. That shows, if you look at column 4, an increase in day returns, in the range with which we are concerned, over eight miles, of 41·7 per cent.?—Yes.

2496. And going to 15 miles, the other end of our range, 34·8 per cent.?—Yes.

2497. That is 1952 compared with the proposed rate. Then when we come to the season ticket rates, they go up fairly sharply. The increase at eight miles is 51·2 per cent., and the increase at 15 miles is 46·2 per cent.?

(*President*): That is compared with 1952?

(*Mr. Grant*): Yes. We took 1952 because Mr. Harbour himself mentioned 1952. I can give you the other figures if you want them.

(*President*): We have got them for the existing and proposed rates.

2498. (*Mr. Grant*): Yes?—That is as a consequence of the proposals which are now before the Tribunal, which reduce the current discounts which are given.

2499. We have only set out these figures to show what I think you have already admitted, that you have made, or will make as a result of these proposals, season tickets less attractive?—Less attractive than they are at the moment, yes, but they will remain attractive.

2500. You did give a figures in your evidence—with which I will not bother you—of a percentage discount which you get on a monthly season compared with a day ticket. You were taking, I suppose, a month in which there are 22 working days. Do you remember?—I remember, and I have got the table with me here. You

can make your comparison either on the basis of 22 working days or 26 working days.

2501. Are those the figures you have taken, that is all I wanted to know? We can do the arithmetic if we know how many days in the month you have taken?—22 in the case of a five-day week worker and 26 in the case of a six-day week worker.

2502. I do not want to split hairs, but, in fact, 22 is a little favourable to you?—It is the conventional figure. There are some months with 31 days and some months with 30 days. Is it a little favourable?

2503. I was going to suggest it is, and I was going to suggest that I thought 21 would be a more reasonable figure. Take this month, February, there are 20 working days in this month, are there not?—I would have no comment to make. I think 22 is the right one, but if the comparison were made with 21 and 52 I think you would get the same result.

2504. You would not get the same result?—The same comparison.

2505. If you take a very simple test: There are 365 days in a year, 104 Saturdays and Sundays and six Bank Holidays, so you are down to 255 days, and if you divide that by 12 you get 21¼?—We have used 22 journeys.

(*President*): Does anybody wish to put any questions to Mr. Harbour in cross-examination? (*No reply.*)

(*Mr. Fay*): Whilst Mr. James's papers are being collected before he goes into the box, might I mention the return of Sir Reginald for re-examination? It so happens that he is going abroad to-morrow week and has a full diary of engagements in the earlier part of next week, and the most convenient time for him would be Friday morning, if that were convenient to the Tribunal.

(*President*): Certainly. I do not think anyone has reserved any questions in cross-examination for Sir Reginald, it is just the re-examination and any questions we may have.

(*Mr. Fay*): Yes, it is re-examination only. At the rate we are going it may well be that the Objectors will by then have commenced their case, but I am sure no one would object, and I hope you will not object, to the re-examination of that witness being deferred until that date.

(*President*): No.

Mr. Philip Gaved James, recalled.

Cross-examined by Mr. MacKenna.

(*Mr. MacKenna*): For the examination of Mr. James, Sir, there are a number of tables to which my accountant, Mr. Lawson, is going to speak. I believe Mr. James has already seen those tables whilst they were in preparation, but I am going, if I may, to hand in the tables now to you and your colleagues and to give Mr. James an up-to-date version. As well as the tables, Mr. Lawson has prepared a number of notes, primarily to help me, but I think they will help everybody else who has to consider the tables and, if you agree, I am going to hand Mr. James a copy of these notes and give you and your colleagues a copy so that we may save a little time.

(*President*): And you will hand a copy to the Commission?

(*Mr. MacKenna*): Certainly. It may take a little time to distribute these documents, so I do not know whether you would like to adjourn now, Sir.

(*President*): Very well, we will adjourn until five past two.

(*Adjourned for a short time.*)

(*President*): Mr. MacKenna, for the moment I think it would be as well, in the interests of economy, if the only things printed are the statistical table and I will reserve for consideration whether we should add another pound or so to the cost of the day's transcript by including the notes.

2506. (*Mr. MacKenna*): May I say I entirely agree. The important matters are the figures, and the notes, as I think I explained before, are really by way of explanation. I think the explanations will come out partly in the course of cross-examining Mr. James and partly when Mr. Lawson goes into the box and explains the tables. (*To the Witness*): Mr. James, the first of the tables we have here is Exhibit WHL 1. That is headed: "Statement showing estimated net surplus or deficit of London Transport" during the year 1948 to 1957 inclusive?—Yes.

2507. The purpose of that table is to ascertain the net surplus or deficit on London Transport during the years 1948 to 1957 inclusive?—To ascertain it in accordance with the point of view which this table expresses.

2508. Necessarily so. According to the calculations made by Mr. Lawson in this table, the net deficit for the period of ten years appears at item 21, does it not, a deficit of £2·9m.?—Yes.

2509. Before I examine you in detail upon the calculations which underlie that figure, may I ask a few general questions to see whether we understand the method adopted by Mr. Lawson in preparing the table. The method that he has adopted in respect of Central Charges is the specific approach, is it not?—Yes, I think it is. I am not altogether certain that it entirely agrees with the approach which was adopted before, but I am content to describe it as the specific approach.

2510. So that the matter may not go on the use of a wrong word, Mr. Lawson has ascertained, has he not, how much stock was issued by the British Transport Commission to the former stockholders of the London Passenger Transport Board and has charged in this table, in a figure we will be considering presently, London Transport with the interest on that stock?—As I understand it, item 12 on this table—which is the line you are referring to, I think—is just a little more than that. The Council were good enough to show me some figures and I understand what this is, but it is rather more than you are saying.

2511. I can only take one thing at a time. I am going to examine these items in detail presently, but so that the Tribunal, who have not had the advantage we have both had of examining this table before, may follow the table a little better, I want to get a broad picture of Mr. Lawson's approach first. As I understand the matter, one of the items which he has taken into account is how much stock was issued by the Commission to the former stockholders of the London Passenger Transport Board, and he has charged London Transport with interest on that stock?—That is so.

2512. Mr. Lawson has also, has he not, increased that stock figure to take account of the value of British Railway assets transferred to London Transport?—Yes, he has. May I accept that in principle for the moment before I comment on the figures?

2513. I am only dealing with principle at the moment, and I promise I will come back and give you a chance of commenting on the figures presently.

(*President*): Under what line on this table do the assets transferred appear?

2514. (*Mr. MacKenna*): That would appear as part of item 12, "Interest on British Transport stock". Interest on British Transport stock, as we shall see presently, is made up partly of interest upon the stock issued to the former London Passenger Transport Board stockholders and partly of an addition made to that sum in respect of assets which were transferred from British Railways to the London Transport on or after vesting date?—That is so.

2515. Again, Mr. Lawson has charged London Transport, has he not, with the interest payable on the London Electric Transport Finance Corporation loans until they were redeemed in 1954?—That is right. It is on the loans which were issued to the London Passenger Transport Board.

2516. After 1954 he has charged London Transport, has he not, with the interest on the London Transport stock issued in satisfaction of the LETFC loans?—Yes.

2517. Again taking the matter generally, he has charged London Transport, has he not, with sums in respect of the capital redemption of such stock as he has charged them interest upon?—I am sorry, I missed that.

2518. Again we shall see the detail of this presently, but has he also made an entry in respect of certain sums which the Transport Commission charged to the revenue of London Transport during the years 1948 to 1953 and credited to an Abnormal Maintenance Account, some £4m.?—Could I be given the reference to that? I presume it is item 5?

2519. That is quite right?—Yes, I accept that figure for the moment, for what it is.

2520. Certainly. What he has done there, as we shall see when we examine the table in detail, is to bring back to revenue certain sums which the Transport Commission had charged to revenue?—That is to say, he has picked out half of the composite transaction.

2521. You are going to have an opportunity of telling the whole story presently, but let me get the broad picture first. I think there is one other figure we shall have to consider, and that is a claim which Mr. Lawson has made for a sum of about £1m., part of a very much larger sum recovered by the Commission in respect of income tax?—Yes, that appears at item 20 on WHL 1.

2522. That is the broad picture. Now may we just examine the table in detail. I am taking in one hand the notes on Exhibit WHL 1, so perhaps you will find it convenient to have them also. We can take items 1 and 2 together. Item 1 is the gross receipts of London Transport taken from the summary which appears on the published Accounts of the British Transport Commission for the year 1957?—I have checked this line on an earlier version of this statement, and I think that is where we get it from; but I accept the line of figures.

2523. I am told it comes from pages 256 to 259 of the British Transport Commission's published Accounts for 1957. You see the gross receipts figure, less the working expenses, with the net receipts or deficit as the effect of subtracting the expenses from the receipts?—Yes.

2524. I think I may take it there is no dispute between us about any of the figures in items 1, 2 and 3?—I think there is not, but this is the third version of this statement I have seen in about a week and, although I checked the one I had two days ago, I have not checked this one. I am assuming the one I have this afternoon is precisely the same document and I agree the figures, but I have not checked them.

2525. I think we have made some adjustments to take account of figures which you have shown us, but there is nothing to alter items 1, 2 or 3?—I think that is right, but I have not re-checked these figures. I would accept them.

2526. Now item 4 is described as "Add: letting of land and buildings not in operational use". I want your help in understanding that item. Do the surplus lands referred to there mean the lands and buildings which the Transport Commission owns but does not use for the purpose of any of its activities?—Yes.

2527. It derives rent or profit from these lands in the course of the year; is that right?—That is right. It does not use them for its Transport activities.

2528. It makes something out of its ownership of them?—That is so.

2529. Is this right, that the figures which have been put into item 4 represent one-tenth in each year of the income derived by the Transport Commission from the letting of those lands and buildings?—You know, I wondered what those figures represented and now I know. I thought they were an assessment of the actual income received by London Transport from those sources, and I can say now, if it helps you at all, that the figures are, as near as makes no difference, the same amount.

2530. In other words, although we have got at the figure by taking one-tenth of the total, the one-tenth is more or less the right proportion for the London Transport surplus lands?—That is so. It does not appear anywhere in the published Accounts as a separate figure, but I accept it as an assessment of that income.

2531. (*President*): May I understand it? The £0·3m. for the year 1957 is in accordance with the attribution to London Transport Railways in Account VI-13, is it not?—I think not. That relates to the letting of shops and sites.

2532. (*Mr. MacKenna*): I think we have to look at pages 258 and 259 of the 1957 Accounts. I think at page 258 we find a heading XI "letting of lands and buildings not in operational use" and, taking the year 1957, the figure of gross receipts is £6·3m., working expenses £3m. and net receipts £3·2m.; is that right?—That is right.

2533. (*President*): Mr. James was quite right to correct me. The total receipts do not appear in VI-13 in the Account, they appear in VI-12?—That is so, but they are not sub-divided, Sir.

2534. (*Mr. MacKenna*): Am I right in thinking they also appear on pages 258 and 259?—For the Commission as a whole, yes.

2535. The figure we have got there for the year 1957, taking that as one example, is a net figure of £3·2m.?—Yes.

2536. I think the answer you gave the Tribunal a moment ago was to this effect, that taking one year with another, the figures which have been inserted in item 4, arrived at by taking one-tenth of the figures at pages 258 and 259, do, in fact, correspond pretty closely to the net income earned in respect of the London surplus lands?—Yes. May I say this now because I think it may help us: there are a number of figures on this table and on the other tables with which I disagree by, perhaps, £0·1m. and I do not propose to argue about those small amounts. But if, of course, the Tribunal were to accept this approach, it would be necessary to correct the various errors. I think, perhaps, for the purpose of your argument we need not discuss these small differences.

2537. I take it you mean the £0·1m. is in one direction in some places and in others it is in another direction?—That is so.

2538. If you wanted to get the thing exactly right you would like the opportunity, at some later stage, of putting in and taking out that £0·1m., or whatever figure it is; but for our present purposes you are content to proceed upon the footing that the figures are correct except where you say otherwise?—Yes; I thought it might help to say that.

2539. This is right, is it not, that this Tribunal, in its Memorandum on the 1953 Charges Scheme, then expressed the opinion that none of the income from surplus lands was to be allocated to London Transport on the ground that they were not assets employed in the provision of services used by London Transport passengers?—Yes, and, of course, that is the view which has always been advanced by the Commission in relation to this item.

2540. Would you agree with this; that the figure—which we are going to consider presently—under item 12 for interest on British Transport Stock issued to the former holders of London Passenger Transport Board stock includes stock which represents, in a sense, the purchase price of surplus lands in London?—Yes.

2541. If one makes this approach, the approach you find in item 12, then it would be reasonable, would it not, to make an addition to the receipts of London Transport in respect of the income derived from those surplus lands, having charged London Transport with the interest upon the purchase price of the lands?—Yes, but, you see, I approach that the other way round. I say line 4 is not a proper credit, that you should reduce the interest charged by £0·1m. in every year.

2542. May I see I follow that. Do you say that if you make the approach which Mr. Lawson has made in item 12, the way in which you would deal with the surplus land would be by reducing the interest at item 12 by a certain amount and by excluding the surplus lands from the items in which credit is claimed in the top half of the table?—Yes, that is the way I would deal with it.

2543. But the way in which Mr. Lawson has dealt with it is quite an intelligent way, is it not?—Oh, yes. Mr. Lawson is including the income from these properties and he is including the whole of the interest on the capital.

2544. That is item 4. Item 5 is headed: "Credits to Maintenance Equalisation Account. Excess of standard charge over expenditure". I think, Mr. James, it may be helpful on this item if, before I ask you any questions upon it, I read the note to item 5 so that the nature of the item will be clear to us all: "The Accounts of London Passenger Transport Board at 31st December, 1947, showed an unexpended maintenance allowance provision amounting to £25·2m. This provision was taken over as such

by the British Transport Commission to form part of the abnormal maintenance account (now part of the Maintenance Equalisation Account). This account represented partly a provision to meet expenditure on maintenance which had been deferred during the war years and partly a general provision for renewals of land and building assets (also called Ways and Structures Assets) for which no depreciation is charged. In the years 1948 to 1953 the charge for maintenance of Rolling Stock Assets and the charge for maintenance and renewals of land and building assets (also called Ways and Structures Assets) was a standard charge based on the original London Passenger Transport Board formula". Then Mr. Lawson observes that he does not know how that formula was calculated. "A separate charge appears to have been calculated for each of the following classes of Fixed Assets", and they are set out under the headings buses, trolley buses, London Railways, and so on for railway rolling stock, and the same headings for Ways and Structures. "Electric Current for Traction Assets of both categories were also dealt with by a standard charge. In respect of each year the excess of expenditure on maintenance or maintenance and renewals as the case may be over the corresponding standard charge for each of the above classes of assets was recorded as 'Abnormal Maintenance' and was charged to the Maintenance Equalisation Account (in those years this account was called 'Provision for Abnormal Maintenance'). On the other hand if the expenditure on any individual class of assets fell short of the relative standard charge, then this short-fall was charged to Revenue and a corresponding credit was made to the Maintenance Equalisation Account which was increased thereby". Then Mr. Lawson refers to a table at which we will be looking: "I submit a statement marked WHL 7 showing the movements on the Provision for Abnormal Maintenance Account for the years 1948 to 1953 and for 1954 to 1957. I can understand the charges made to the Abnormal Maintenance Provision as these presumably represented the amount of abnormal maintenance and renewals deferred from war years which were properly charged to the Provision instead of being charged to Profit and Loss Account. I cannot, however, understand why any further amounts should have been credited to this Abnormal Maintenance Provision by debit to Profit and Loss Account. In WHL 1 I have, therefore, credited Profit and Loss Account with the amounts so debited". May we, before we go on to that item, turn to WHL 7? That is headed: "Statement showing movements of Maintenance Equalisation Account attributable to London Transport (including estimates re Electric Current Assets)". Then the first part of the table is headed "Debited to Provision" and you get the different classes of assets set out underneath. That is the way of it, is it not?—Yes.

2545. As I understand the matter, looking to the total figure, £5,814,000 in the last column but one for the years 1948 to 1953, some sum of that order was charged by the Transport Commission to this Maintenance Equalisation Account during the years 1948 to 1953 in respect of maintenance expenditure in those years on the different classes of assets which exceeded the so-called standard charge for those classes of assets?—Which exceeded the standard charge, not the "so-called standard charge", it was the standard charge.

2546. Would you help me about that figure of £5,800,000. It is not a figure which appears on WHL 1. I think it is right to say, is it not, that the figure which appears in WHL 1 is the figure of £4,116,000, which is the total of the second part of the table?—Yes.

2547. Before I ask you to comment on the figures, perhaps I had better finish the explanation of the table. The second half is headed "Credited to provision". and you again have in the left-hand column the same classes of assets; that is right?—Yes.

2548. And the sums which are credited to provision. Taking, for example, buses; in the year 1950, £464,000, that sum represents, does it not, a sum which the Transport Commission have charged to revenue over and above the sum spent upon the maintenance of buses in that year, 1950; is that right?—1950 to 1953, in each year.

2549. I am taking first the figure of £464,000?—Yes.

2550. That represents a sum which the Transport Commission have charged to revenue over and above the sums actually spent upon the maintenance of buses in the year 1950?—Yes.

2551. Similarly, £649,000 has been charged by the Commission in 1951 over and above the actual expenditure on buses in that year?—Yes.

2552. And, similarly, with the figures of £711,000 in 1952 and £512,000 in 1953?—Yes.

2553. Without going through all the other figures under the heading "Credited to provision", is the total of those sums which have been charged to revenue in that way during the years 1948 to 1953 £4,116,000?—Yes.

2554. As I understand it, those sums represent the difference between the standard charge, being the higher figure, and the amounts actually spent on maintenance in those years on the different classes of assets?—That is right, yes.

2555. So that I may have your help upon the figures first, have we got the figures right? That is say, is the figure of £4,100,000 the right figure which has been charged in that way to revenue by the Transport Commission?—It is not quite right.

2556. Would you give us the right figure if you have it?—The inaccuracies, such as they are, arise from the fact that it is not always possible to pick out all the figures in detail from the schedules to the Commission's accounts. For example, if you take the top section of the table, the section headed "Debited to provision", there is a line near the bottom called "Electric Current Assets (estimated)". That line should not be there at all. If you go into the second part of the table under the same description: "Electric Current Assets (estimated)", the figures should be, in almost every case, greater than those which appear in this table at the present time.

2557. To take the matter shortly, could you give me the right figure in place of the total of £4,116,000?—Yes. The right figure in place of that is £4,236,000. Then, to take the top part of the table, instead of £5,814,000 you would have £5,780,000.

2558. So that I may understand the effect of those corrections, Mr. Lawson has understated the amount which was charged to revenue by about £120,000; that is to say, he has taken the amount which you have charged to revenue as £4,116,000, and he ought to have taken a large sum charged by you to revenue of £4,236,000?—Yes. There is a further qualification there which might be made. The line in the bottom part of the table called "Ways and Structures Assets" is a net figure. It consists of something which might properly be included in the top part of the table and something which might be included in the bottom. If I make this correction there will, again, be an alteration to the net transfer.

2559. What would be the right figure at the end of it all?—The net figure.

2560. I want the right figure in place of the £4,116,000? —I have not added that up myself.

2561. Perhaps you will do it for us over the week-end?—I will, certainly, yes. There is one other point. You did read to me a little while ago the notes on this statement, and I do not think they are quite accurate.

2562. Will you point out where you differ?—Yes. There is a sentence in the first paragraph saying: "This account represented partly a provision to meet expenditure on maintenance", and so on. The account, as was explained at the 1953 hearing, consisted of three main elements: The difference between the provision which has been set aside for depreciation during the period of Government Control and the amount which had been received out of the account in respect of depreciation at replacement prices, that was about £16m.; and a balance of about £9m. which related to these two items you have mentioned here and to arrears of maintenance expenditure on rolling-stock assets. That has been set out in some detail in the 1953 hearing and is referred to in the Tribunal's Memorandum.

2563. I remember the passage, Mr. James. What you are saying, in effect, is that that sentence does not state the position completely, it needs the addition of what you have pointed out, that of the sum of £25m., £16m. represented a provision in respect of the difference between depreciation at current prices and depreciation at

some lower rate of price, and £9m. represented deferred maintenance?—Yes. It is important to understand the make-up of that account.

2564. Were there any other corrections you wished to make in the Note?—Except where there are expressions of opinion, no.

2565. Before I come back to WHL 1, perhaps I might finish with this table. Up to now I have been considering the years 1948 to 1953, and I have been considering them under two headings, one heading in respect of sums debitted to provision, where the actual expenditure exceeded the standard charge, and the other heading in respect of sums credited to provision where the actual expenditure was less than the standard charge?—Yes.

2566. I want to turn next on WHL 7 to the years 1954 to 1957. Is this right, that in those years, 1954 to 1957, the Transport Commission charged to revenue certain sums in respect of maintenance over and above the actual expenditure on maintenance in those years?—Yes; but it is of importance, of course, to understand that the approach after 1953 was totally different from the approach up to 1953. This has, of course, been explained before, but the standard maintenance arrangement which operated up to the end of 1953 was brought to an end at that point in time, and from then onwards a new arrangement was introduced—and it is described in the notes on the Commission's accounts—under which expenditure on what we call ways and works structures was equalised over a term of years and under which certain special arrangements were made to deal with the case of expenditure on bus and trolley-bus maintenance for which provision had been made in the years up to 1953.

2567. In respect of the years 1954 to 1957, how much had been charged to revenue under the heading "Maintenance" over and above actual expenditure on maintenance? The figures which we have in WHL 1 for this matter are in Item 6, I think, and they are £400,000 for 1954, £300,000 for 1955, and £300,000 for 1957, being a total of £1m.?—Yes. Those are the figures which appear in the four columns headed "Equalisation Basis" on WHL 7, I think.

2568. If we look at the very last line on WHL 7, under the years 1954 to 1957, we find there a figure of £400,000 for 1954, £300,000 for 1955, and £300,000 for 1957, and in the totals column a figure of £1m.?—Yes.

2569. Those sums, as I understand it, represent the amount which I have just described; that is to say, the amounts which were charged to revenue over and above actual expenditure on maintenance in those years?—The net amounts.

2570. The approach is different from the approach in the years 1948 to 1953, on this table. In 1948 to 1953 you add back, if I understand the calculation correctly, the amounts which were credited to provision, and we leave as a credit the amounts which were debited to provision?—You are quite right. In 1954 to 1957, if I understand it correctly, both sides are picked up and the net amount is debited as a disallowable item?——

2571. You are quite right to make the distinction, and I am grateful to you for doing so. Now I think we can turn back to WHL 1, Items 5 and 6, which are explained in that way. Would you agree with this, that it is not normal accountancy practice to make provision for the equalisation of maintenance charges, that the normal practice is to charge each year the sums actually expended on maintenance?—I think it is perfectly normal accounting practice to do this in the case of a transport undertaking of this kind where the expenditure tends to fluctuate quite considerably from year to year and where you are charging revenue and must make some provision to ensure that one year is not unduly depressed and another year unduly relieved of the incidence of the expenditure.

2572. I was asking a general question first, not thinking particularly about transport undertakings. My general question was whether it was not normal accountancy practice to make no provision for the equalisation of maintenance charges, but to charge the sum actually expended?—I think what we are doing is quite normal in the sort of transport world we are talking about. I will say this, though, that some of the things with which we are dealing under this equalisation arrangement would in some businesses be the subject of depreciation charges, which, of course, equalises the expenditure from year to year in another way. For example, we are dealing here with buildings, signalling, permanent-way and things of that sort which might very well be the subject of a depreciation charge, which would have the effect of equalising the expenditure from year to year.

2573. The point of view which I am putting to you is this, that it is normal accountancy practice not to make provision for the equalisation of maintenance charges, though in exceptional circumstances, as, for example, during a war, it is right and proper to charge revenue with a sum in respect of deferred maintenance. That is the general picture I am putting to you, and I want to know whether you accept it as a general picture?—I think you have got to look at this in relation to the type of work with which you are dealing. It is no good suggesting to me that the sort of accounting which is useful for a sweet-shop will be useful for a transport undertaking. One must have regard to what type of business one is handling, and what we are doing here is normal, and has been normal for, I suppose, 50 years in the transport world.

2574. You have told us that when the transfer was made to the British Transport Commission of the London Passenger Transport Board's assets there was an account in existence which, as to £9m., represented a provision in respect of deferred maintenance?—Yes.

2575. I think we have been told—and I think, indeed, it has been found by the Tribunal in 1953—that by 1953 the arrears of maintenance in the London Transport Undertaking had substantially been overtaken?—Yes, the arrears of repairs.

2576. I was using the word "maintenance" because we were talking here about a charge for maintenance?—I am willing to accept that.

2577. What I am instructed to put to you is that there was no necessity to provide, in the years 1948 to 1953, these further large sums totalling £4,200,000 to cover arrears of maintenance. You follow the point?—I imagine you are using the term "arrears of maintenance" in the sense in which it was used in the war-time agreement, that is to say, work we did not do and which we ought to have done, and which would have to be met at a later date. You have to bear this in mind, that the standard charge was a charge designed to cover both repairs and renewal of what I call non-depreciated assets, and what you call, I think, land and building category assets, as well as to deal with certain renewals of rolling-stock assets. It included an equalisation, naturally, in respect of the renewal of such items as the permanent-way and signalling, and it was right and proper to put an amount to the Abnormal Maintenance Account (which was, after all, an Equalisation Account as well as an Abnormal Maintenance Account) in those years to also take care of the expenditure which would have to be incurred at some later date on carrying out renewals of non-depreciated assets. You can see the sort of thing that happens if you look at the table which we have here, Exhibit WHL 7. If you take ways and structures assets and if you look at the buses lines, you will see an amount debited to provision in 1949, 1950, 1951, 1952 and 1953——

2578. I am looking at buses under ways and structures, and I find £11,000 for the year 1948; is that correct?—I am looking at the top part of the table called "Debited to provision" against the item ways and structures assets, buses.

2579. You are quite right?—You see there, as I said, in the years from 1950 onwards very substantial amounts debited to the Provision. In 1948 there was a small amount of £11,000 credited to the Provision. These very large debits to the Provision arose from the fact that at that time we were carrying out heavy reconstruction programmes on bus garages and in connection with the tramway replacement programme, which, as you may remember, took place in London from 1950 to 1952, and we incurred very heavy renewal expenses in those years. The argument on this table appears to be that I may credit revenue with something drawn out of the fund when I undertake maintenance expenditure but I must not debit revenue with an amount paid to the fund in order to enable me to draw something out later on.

2580. May I help you to what I hope is a better understanding of the table. I would have suggested that the purpose of the table is to show that it was unnecessary to charge to revenue and add to your equalisation fund the amount of £4,100,000 shown under the heading "Debited to Provision". There was no need to do that. That is the point of the table, as justifying items 5 and 6 on WHL 1. Would you just look for a moment at the item under "credited to provision" for buses. We have seen the total amount credited to provision during the four years up to 1953 for buses and rolling stock assets totalling some £2,300,000?—Yes.

2581. What justification do you think there was for charging those sums to revenue in respect of maintenance of buses during those years over and above the sums actually spent on maintaining the buses in those years?—You see, this is just the perfect example of the need for an Equalisation Account of this kind. What happened was that in the years 1948 to 1952, as I am sure the Tribunal will remember, we replaced substantially the whole of the bus fleet in London as well as replacing the tramways. Now whether you have new buses or whether you have old buses your day-to-day maintenance does not vary very much, but if you have new buses you have an overhaul holiday; you do not have to overhaul the buses which you are going to scrap and you wait three or four years before you overhaul the buses which are being brought into service. That, of course, is just what happened here. We had been having, in effect, an overhaul holiday in the years 1950 to 1953 and we were paying into the Abnormal Maintenance Account the amounts by which we underspent our standard charge, which included the normal provision for maintenance. When we came to the end of that arrangement—which, as I said, was in 1953—we took account of the fact that we had had this overhaul holiday and as a result of it we had saved up some money, and we set aside a special Suspense Account out of which we met the expenditure incurred on the abnormally heavy overhaul programme in the years 1954 to 1957 and out of which we shall meet further expenditure in the years 1958 and 1959. If you look at the section of this table called "Equalisation basis", you will see that we have debited to Provision in 1954 £62,000, in 1955 £344,000, in 1956 £490,000, and in respect of trolleybuses—in respect of which a similar saving arrangement was made—we debited to provision in those three years £280,000. In 1957 there is £400,000 drawn out and to the credit of revenue. In 1958 and 1959 there will be further similar credits. The whole of the amount which was paid in to the Abnormal Maintenance Account in these years, 1950 to 1953, has come out again in the years 1954 to 1959.

2582. What was the amount in the Maintenance Equalisation Account during those years 1950 to 1953? I know it would be a fluctuating amount, but what would be the order of figures of the Account to which you were adding those sums in those years?—We did not keep the Account in separate compartments, so I am sorry, but I cannot help you more than that. All I can say is that when we brought the arrangement to and end we set aside, out of the balance of the Abnormal Maintenance Account, £2,500,000 to take account of this excess expenditure on buses and trolleybuses in later years.

2583. You gave me a figure a moment ago of, I think, £9m. which represents the provision made for arrears of maintenance by the old Passenger Transport Board taken over, as part of a larger figure of £25m., by the Transport Commission?— Yes.

2584. Is this right, that according to the figures which appear on WHL 7, some £5,800,000 was drawn out of that account in respect of maintenance during the years 1948 to 1953?—Yes.

2585. That would leave in the Account, as I follow it, something of the order of £9m. to £10m.?—£5 was drawn out and £4·2m. was put in.

2586. I have not come to the payment in at the moment. So that we understand each other, the point of my question is to show, if possible, that it was unnecessary to provide for the payment into the Account of £4,100,000. That is what I am trying to do. As one step towards that, I start from the figure of £9m., which you say was the sum taken over by the Transport Commission as a provision for arrears of maintenance. That is the sum taken over?—That is the sum which was in the books of the London Passenger Transport Board, yes.

2587. And the amount which has been charged to the Maintenance Equalisation Account during the years 1948 to 1953 is £5,800,000?—Yes.

2588. Bearing in mind those two figures, £9m. on the one hand and £5,800,000 on the other, and bearing in mind the further fact that the arrears of maintenance had been substantially overtaken by the end of 1953, what justification is there for charging a further £4m. to revenue against London Transport in order to add to that fund?—Well, I think we have got to try to keep separate in our minds, perhaps, for the sake of tidyness, this starting point of £9m. and what happened after that. The £9m. was part of the balance transferred to the British Transport Commission and there were, naturally, all sorts of adjustments to the book-values of assets, and to liabilities, and to provisions in the Commission's books when we absorbed all the constituent undertakings. We did not keep that £9m. separate and, indeed, it may well be that by the end of 1953 that original £9m. was not required at all because the arrears of maintenance, as such, had been overtaken; but there were other things for which provisions were needed. There was your accruing liability for signalling renewal, there was your accruing liability for the permanent way, there was your accruing liability for building renewals; all of those things which come along with uneven incidence from year to year and have to be provided for. There was, in addition, your outstanding liability for war-damage repairs and there was a substantial liability to do renewals of non-depreciated Assets at that time. That is all reflected in it.

2589. You have told us, I think, that the sums which you have credited to provision and debited to revenue are based on the standard charge for maintenance; is that right?—In the years 1948 to 1953.

2590. Is this right, that the standard charge for maintenance was calculated originally in 1938, before the War, by the old Passenger Transport Board and that 1938 figure was brought up-to-date for the years 1948 to 1953 by taking account of assets which had gone out and assets which had come in—that is to say, fluctuations in assets—and also taking account of the fluctuation in prices?—That is very nearly right. The standard charge arrangement which we operated from 1948 onwards was not quite so extensive as the arrangement which we operated at the end of the War, but the basis was still the same, the 1938/39 figures brought up-to-date to allow for variations in the volume of assets subject to maintenance and to allow for changes in price levels.

2591. In calculating that standard charge—that is to say, in calculating the standard charge to be used in the post-war years—was any account taken of improvements in the technique of maintenance between 1938, which is the starting point of the standard charge, and 1948 to 1953?—It was not, and I should imagine that in that period there were not many, anyway. You have ten years affected by the War from 1939 to 1947.

2592. At the end of the period, 1953, some fifteen years had elapsed?—Yes, some fifteen years had elapsed, during which we had replaced various assets.

2593. Do you think it possible that the standard charge calculated in that way was somewhat excessive by the time you came to the years 1948 to 1953?—We do not think so. Mr. Hill thought so in 1953, but I do not think the Tribunal agreed with him.

2594. I have asked you, I think, all I want to ask you upon items 5 and 6 on WHL 1. I think I have brought sufficiently to your attention what we are seeking to do in bringing back to revenue that figure of £4·1m. for item 5 and that figure of £1m. for item 6. I think I have given you your chance of dealing with both of those items?—Yes, and I think you will have gathered that I entirely disagree with them.

2595. I gathered that from your answers. Now I come to item 7. Item 7 is entitled "Income from investments in respect of British Transport Stock Redemption Fund". There Mr. Lawson has claimed small credits of about £100,000 in each year from 1954 to 1957. May I see that we both understand that item in the same way? If

you look to the bottom of the table, item 15 of WHL 1, you will find Mr. Lawson there charging revenue with a provision for the redemption of British Transport Stock?—Yes.

2596. I think it has already been explained what that Transport Stock is for which he is providing for redemption, namely, the stock in respect of which he is charging London Transport interest?—May I help you by saying that on this approach I raise no point on item 7, except that it appears to be more properly included in the next group of items. 10 to 15. But I raise no point on that.

2597. The next group of items are items to be deducted, this is an item to be added to revenue. My understanding of it is this—tell me if it is yours: that having provided in item 15 for the putting aside each year of sums for the redemption of the Transport Stock, Mr. Lawson claims, under item 7, in the later years small sums in respect of the interest which would be accruing on those funds. Is that your understanding of it?—Yes, that is my understanding.

2598. I gather that you have no objection to that credit being given, although I think you say another way of doing it would be to subtract those amounts from the sums appearing in item 15?—Yes. The method is unimportant. I have no point to raise on it on this approach.

(*President*): I should like to know where the figure is taken from; presumably it is a percentage of a larger figure.

(*Mr. MacKenna*): If you will look at the first note to Item 7, Sir, you will see that Mr. Lawson says: "I have calculated the annual charge for redemption of the British Transport Stock issued in respect of London Transport and this is also shown in this Exhibit. (See Item 15 of this Exhibit.) I have calculated the income which would be derived from the investments acquired each year, the cost of these investments corresponding to the amount of the Fund created each year. In calculating this income I have assumed that the amount invested each year would earn interest throughout its life at the average Bank Rate applicable in the year in which the investment was made".

As I understand it, you get no sum in Item 7 for the earlier years, because the amount of interest earned by the fund in those years would be less than 0·1, and this table does not seem to be more accurate than that; but by the time you reach 1954, the fund is sufficiently large for interest, at Bank Rate, to amount to £100,000 each year.

(*President*): No doubt, but how much of that Bank Rate interest is being credited to London Transport? How do you arrive at the part of it which is London Transport interest; is it one-tenth?

(*Mr. MacKenna*): No, Sir; this is the way of it: In Item 12 Mr. Lawson has calculated the amount of British Transport Stock issued in respect of the acquisition of London Transport assets——

(*President*): Yes, plus Stock attributed to British Transport?

(*Mr. MacKenna*): Yes, Sir; he has to provide to redeem that Stock which has been notionally attributed to London Transport. The sums which he requires to redeem that Stock are the sums which you find in Item 15; the figure of £300,000 for 1948 represents the amount which you have to put by to redeem the capital sum on which £4·1m. represents the interest.

(*President*): Yes, but the redemption charge is presumably to be calculated by reference to the Treasury Regulations as to redemption of British Transport Commission Stock generally.

(*Mr. MacKenna*): I see what you mean, Sir—how have we related the amount of interest provided for in those regulations to this notional amount of stock?

(*President*): Yes.

(*Mr. MacKenna*): I will ask Mr. Lawson when he comes to give evidence.

(*President*): I gather that it has been so treated.

2599. (*Mr. MacKenna*): I think that is right, Sir. If there is anything wrong about the reason I have just given you, Mr. Lawson will put us right when he comes to give evidence. Mr. James has been good enough to say that he has no objection to the credit which we claim on Item 7 on this method of doing the calculation, though an alternative way of doing it on this calculation would have been to subtract the figures you find in Item 7 from the provision for redemption in Item 15. In effect the figures would be the same in the end. (*To the Witness*): Is that right, Mr. James?—That is right.

(*President*): I did not mean that I was not going to accept Mr. James's acceptance of those figures, but either now or later I should like to see if I understand them more out of my own mind.

2600. (*Mr. MacKenna*): Yes, Sir, and the object of the exercise is to see that you do it the whole time if possible. (*To the Witness*): That is Item No. 7. Items 8 and 9 are merely sub-totals?—They are just arithmetic, are they not?

2601. They are just arithmetic. Now with regard to Item 10, Central Administration Expenses; may I just look at the note to Item 10 in Mr. Lawson's notes. Under the heading "Central Administration Expenses" he says: "These figures represent 1/10th of the total central administration expenses of the Commission. This is an arbitrary proportion, but corresponds approximately to the percentage of 10·2 per cent. and 11 per cent. accepted by the Tribunal and quoted in Paragraph 17, last sub-paragraph on page 10, of their Memorandum of 1953. These Central Administration Expenses include Expenses of Common Services for each year. In the published BTC Accounts these were treated as part of Central Administration Expenses in the years 1948 and 1949 and from 1955 onwards but shown separately in the years 1950 to 1954 inclusive"?—Yes.

2602. Is what I have just read correct?—I think so. I have not looked at the detail of the Accounts, but if it helps I accept the figures for this purpose.

(*President*): £0·2m. is one tenth of the total Central Administration Expenses shown in Table IV-6 for 1957.

2603. (*Mr. MacKenna*): Yes, Sir. (*To the Witness*): That table will give us the figures, will it not?—Yes.

(*President*): For 1957.

2604. (*Mr. MacKenna*): Yes, of course. (*To the Witness*): Before I pass from that, would you agree that so far as the apportionment of Central Administration Expenses goes, that is a relatively small sum, and what Mr. Lawson has done is to apportion one tenth of it to London Transport?—I accept it for this purpose.

2605. Item 11 is "Interest on LETFC Loans"; that is shown as a charge against revenue for each of the years 1948 to 1955, and it stops in 1955, I think, because in that year the Stock was redeemed and British Transport Stock was issued in place of it?—It was issued to provide the funds for redemption, to be precise.

2606. You are quite right; but that explains why item 11 stops at 1955, and why item 12, which is "Interest on British Transport Stock", rises sharply in 1956?—Yes.

2607. Again, as a matter of figures, have you any comment to make on Item 11?—None.

2608. I think I explained Item 12 in the beginning in general terms—how the amount of British Transport Stock was arrived at for the purpose of ascertaining the interest charge in Item 12, taking the two matters, the Stock required to compensate the former stockholders of the Transport Board and the amount of stock which is estimated to be required in respect of the British Railways assets which after Vesting Date were transferred to London Transport?—Yes.

2609. I do not know whether you have had a chance of considering the capital amount of stock which has been taken for the purpose of those interest calculations in Item 12?—I have; I have been provided with a statement which I have checked, and the figure is £128·08m.

2610. Is that figure too large or too small, according to your view of the matter?—It is the amount of stock which was issued in exchange for stocks of the London Passenger Transport Board.

2611. How much has been added to the capital amount of stock to give the interest figure in Item 12 in respect of the transferred assets?—I am told it is £10m.

2612. Does that mean then that the total amount of stock is £138m., or does the £128m. that you have told us about include two amounts, one of £10m. for those assets, and the other £118m. to compensate the former stockholders?—I think I am right in saying that the £128m. is the stock issued in exchanged for London Passenger Transport Board Stock.

2613. I am told that there ought not really to be room for dispute about this; the figures in Item 12 represent the amount of Stock required for both purposes, which are the interest figures and stock required (*a*) to compensate the former stockholders, and (*b*) representing a further £10m. for the transferred assets?—I beg your pardon, I misunderstood you; I entirely agree.

2614. I thought there would be no room for difference about that?—I should amend the £10m. to £12m., but I will accept £10m. for this purpose. The £10m. is the figure quoted by Sir Reginald when talking in very round terms some years ago. It should be £12m., but I am not disposed to argue about it for the moment.

2615. (*President*): You agree with the first paragraph in the note on Item 12; is that the effect of what you are saying?—That is right, Sir.

2616. (*Mr. MacKenna*): And you would prefer to take a figure of £12m. rather than £10m. in respect of these transferred assets, but for the purpose of our discussion of these figures, you are content to take the figure of £10m.?—Yes. This is one of the things I should wish to put right if we were going to go through these statements and make a complete series of small adjustments.

2617. What you would have to do would be to find what the annual charge for interest was on £2m.?—Yes—£60,000 a year, or £600,000 for 10 years.

2618. Yes. Those are Items 10, 11 and 12; Item 13 is a very small one, "Amortisation of discount on issue of British Transport Stock". Mr. Lawson explains this in his note; he says: "The Stock assumed to have been issued in 1955 to replace the LETFC loans was issued at a discount, referred to under Item 12. I have calculated the charge required to write off the proportion of the discount assumed to be attributable to London Transport over the life of the Stock (to earliest redemption date) in accordance with the practice of the Commission".

Have you any comments to make on the figures in Item 13, explained in that way?—No.

2619. Item 14 is again a small item, "Other 'Special Items'". There is only one year for which there is a charge against revenue of £200,000; that is the year 1955, and Mr. Lawson's explanation of that item is: "I have charged against London Transport one-tenth of such of these items appearing in the annual BTC Accounts as I considered might be attributable to the London Transport Executive, with the exception of stock issue expenses. The justification for the ratio of one-tenth is the same as stated in connection with Central Administration Expenses (Item 10). These items, which are all relatively trivial in amount, are as follows", and he explains what the nature of them is.

Have you any comment on Item 14 as explained in that way?—No; this is his statement, and I know what he has done.

2620. And if you do make his approach, I gather that you have no quarrel with the figures shown under that item?—I am only hesitating because this is described as items which he considered might be attributable to the London Transport Executive, but I have not been through all the accounts to see whether I consider them to be attributable to the London Transport Executive.

2621. But this is in the field of what you have already excepted from the debate—other small amounts?—Yes.

2622. We have already dealt with Item 15; on this approach that is a necessary charge against revenue, "Provision for redemption of British Transport Stock"?—Yes. This assumes the 90-year redemption period for the Commission's Stock as a whole.

2623. Yes, and if you make his approach, it is right to charge revenue with the amount of the redemption, and I gather you have no quarrel with the figures?—I agree.

2624. That brings me to Item 18, which is described as "Interest earned on Surplus Funds attributable to London Transport". Mr. Lawson says: "This figure is arrived at on Exhibit WHL 2 as shown on Item 21", so you have to turn to Exhibit WHL 2, which is "Statement showing estimated movements on 'Surplus Funds' of London Transport and interest assumed to be earned thereon"?—Yes.

2625. As I understand it, what Mr. Lawson has done in this table is this: he has taken the amount of surplus funds in the hands of the Transport Commission referable to London Transport in 1948, at a figure of £40,200,000; that is Item No. 1?—Yes.

2626. Under the heading "1948" in the left-hand column he has shown on that page and on the next page the fluctuations in that figure of £40·2m. occurring in the year 1948; is that right?—Yes.

2627. Bringing over to the year 1949 a lower figure of £37,100,000, which you find as the 1949 figure, Item 1?—Yes.

2628. Has he done the same thing for each of the other years; that is to say, has he shown how the surplus funds were reduced in each year, except towards the end of the table, when they go up slightly in the last three years?—Yes. As I see it, if one accepts the figure of £40·2m. which opens the table, then everything else in the table represents changes in revenue, capital and all the other things which affect the fund.

2629. I have two questions on that: Do you accept the figure of £40,200,000 as representing surplus funds of London Transport in 1948?—No.

2630. What do you say is the right figure, or do you say that there were no surplus funds?—I say there were no surplus funds. We have always said that you cannot parcel out the Commission's reserves and say: This piece belongs to London Transport and this piece belongs to something else. If you say that this is the trust fund of the London Passenger Transport Board on the 31st December, 1947, and you are working on from there, then I need not argue. If you are trying to see how it would have been disposed of if it had been kept separate, I am with you, and I follow you, but I cannot agree to putting money into separate pockets.

2631. I come back now to the point of the propriety of claiming interest for London Transport surplus funds. Would you mind turning to the Notes on Exhibit WHL 2, so that we may find the explanation of this item? Under the heading "Item 1", Mr. Lawson gives this explanation of the figure of £40·2m.; he starts that explanation: "Among the assets taken over from the London Passenger Transport Board was a Trust Fund represented by payments made by the Board to Trustees under a Railway Control Agreement in respect of arrears of maintenance and renewals. The payments to this Trust Fund at 31st December, 1947, amounted to £40·6m. This amount should be reduced by a £2·6m. loan made from the Trust Fund to the London Passenger Transport Board and should be increased by a further payment of £2·2m. due in respect of 1947 (per paragraph 74 of London Passenger Transport Board Accounts for 1947). This brings the balance of the payments to £40·2m. This balance was mainly, if not entirely, represented by marketable securities which were transferred to the Commission at the time of takeover (see Note 29 on page 195 of British Transport Commission Accounts for 1948). The securities attributable to London Transport are not identified in the Commission's Accounts for 1948, and, in consequence, I do not know their market value at the date of takeover.

"For the purpose of calculating the notional income attributable to London Transport on its 'surplus funds' I have assumed that the market value of the investments corresponded to the book value of the payments made to the Trustees less the £2·6m. loan. As the market value of Government Securities remained practically unchanged from 1940 to 1947 it is unlikely that this assumption is far out. However, this assumption ignores the interest which would have been earned on the Trust Funds while they were held by the Trustees and which would increase the value of the Fund taken over from the London Passenger Transport Board. In evidence given at the 1953 hearing, Sir Reginald Wilson referred (Paragraph 1440) to £7·1m. interest earned on the combined Trust Funds of the London Passenger Transport Board and the Main Line Railways but not allocated among these undertakings.

"At 31st December, 1947, the London Passenger Transport Board had virtually no other investments and its current assets were only £2·3m. in excess of its current liabilities (excluding the unappropriated maintenance allowances, which was a provision for arrears of maintenance and renewals). I have therefore assumed that there were no 'surplus funds' other than those derived from the Trust Fund, as described above. A publication entitled 'London Transport in 1957' gives a summary of the net assets of London Transport at 31st December, 1957 (on page 76). This shows current assets of £6·6m. and current liabilities of £5·5m., leaving net current assets of £1·1m. I have not adjusted for the difference between £2·3m. referred to above and this figure of £1·1m.

"I have assumed that £40·2m. of the British Transport Stock issued to London Passenger Transport Board Stockholders was issued in respect of the 'surplus funds'. In other words, compensation to London Passenger Transport Board Stockholders could have been partly settled by cash repayment of £40·2m. correspondingly reducing the British Transport Stock issued. Thus in the first instance London Transport would have avoided a charge for interest at 3 per cent. on £40·2m. of British Transport Stock and this I have regarded as a credit for notional income which I have called 'interest earned on "surplus funds"'.

"In consequence of the foregoing assumption it could be further maintained that London Transport is charged with provision for redemption of this £40·2m. on British Transport Stock and that this should also be written back. I have not done this as the figures involved are relatively small.

"In the course of the 10 years from 1948 to 1957 these 'surplus funds' were partially absorbed, mainly by expenditure on fixed assets. To the extent that these 'surplus funds' are absorbed the notional income earned on these funds decreases.

"Alternatively I consider that 'Surplus Funds' might be regarded as advanced by London Transport to the Commission for its general financing. To the extent these funds are not utilised by London Transport interest is notionally credited to London Transport.

"The effect of these funds is to reduce the external financing of the Commission. In so far as London Transport notionally still has 'surplus funds' it is entitled to a credit, whatever the actual liquid position of the Commission as a whole.

"Interest should be notionally credited to London Transport each year at the rate at which the Commission would have had to raise external fiuance. Such finance has been raised at various rates, from 1½ per cent. for 1-year Stock issued in 1951 to 4 per cent. for 1972/77 Stock issued in 1952, 1954 and 1955 and at rates ranging between 5 per cent. and 6 per cent. on Government advances received in 1956 and 1957. The rate of 3 per cent. applied during the years 1948 to 1950 when London Transport had substantial surplus funds and for the sake of simplicity and because the amounts involved after 1950 are relatively small, I have credited this notional interest on surplus funds at 3 per cent. throughout".

That is the explanation of the argument given by Mr. Lawson; I want you to consider this point: Do you agree with Mr. Fay's presentation of the case that each part of the undertaking should, so far as possible, pay its own way?—Yes.

2632. Is it not consistent with that approach, if part of the undertaking brings into the Transport Commission's hands a sum of £40m. which is available for the Financing of the Transport Commission, that interest should notionally be credited to the London Transport part of the undertaking, except to the extent to which that £40m. has been spent on capital expenditure, or to meet deficits on the London Transport part of the undertaking? Do I make that question clear?—Perfectly.

2633. How is that approach consistent with this approach, that you should deny to London Transport any credit in respect of interest on the surplus funds held by the Transport Commission and not used for the purposes of London Transport?—You see, there are the two quite distinct approaches. There is this approach which endeavours to put London Transport into a separate packet and say: Here on this side I can allocate so much of the stock issued and the subsequent capital transfers; but here on this side I can pick up the assets of the London Passenger Transport Board and follow that through. One could go quite a long way with that without getting into trouble, as previous people have done, on the approach which the Commission have favoured all along: Take the Commission globally and try to assess the London Transport share of the Commission's financial responsibilities as a whole. I think if you are making the approach you are arguing for here, it is right to bring this £40m. in. I am sorry for that rather long answer.

(*President*): Whatever we may think about it, somebody will still be considering it in 1999, so the burden of following the dowry of this handsome bride during the next four or five years is——

(*Mr. MacKenna*): "Sufficient for the day", Sir, and if Mr. James does not find it insuperably difficult up to 1959, I shall perhaps be of some assistance to you by the end of the case.

(*The Witness*): I have quite a lot of things to say about what is left to the end of the day!

2634. (*Mr. MacKenna*): Accepting Mr. Lawson's approach, do you find any fault with the figures shown in Exhibit WHL 2?—I would much rather say that I find no fault with the figures. You say "accepting Mr. Lawson's approach"; I do not accept his approach, so I cannot accept the principle.

2635. But the principle is that you ascertain what the surplus funds of London Transport were in 1948 and you debit to them any expenditure for London Transport's purposes made in subsequent years and credit any surpluses—do you find any fault with the figures so far?—May I put it this way: If one is trying to make this specific approach and trying to follow through a certain balance on the funds and to see how they have been used and added to and subtracted from over the years, it is perfectly right to take into account the revenue, surplus, capital, expenditure and all the other things; but on this particular statement I do not agree that the revenue surplus has been correctly assessed.

2636. That is where I want your help. Is the figure of £40·2m. surplus funds at the beginning of 1948 a wrong figure?—It is correct in accordance with the note which you have read out to me; it is the balance of the trust fund as it was finally settled, less the loan which had been made before the end of 1948 to the London Passenger Transport Board.

2637. You have examined Exhibit WHL 2 and you have seen how subtractions have been made from the £40·2m. during the succeeding years and, towards the end of the table, additions made to the balance?—Yes.

2638. Do you find any fault with the sums which have been subtracted from time to time from these surplus funds reducing this amount? For example, for 1948 there are subtractions during that year which have the effect of reducing the figure to £37·1m. at the beginning of 1949; do you find fault with the sum subtracted, saying that it should have been greater?—I think I could put it this way: I find fault with that in detail, but not with the final result. For example, I do not accept line 2 and if I do not accept that because I think you should not have added back certain things, then I equally do not accept line 15. But with regard to the net results, I accept them.

2639. But for this purpose which figures are you saying are less unacceptable?—The net result.

2640. At the end of the table, £7·3m. being the surplus figures at the end of the day?—No; I thought you were talking about 1948.

2641. Yes, I was indeed; I am taking each year separately. Do you say that the figure at the end of 1948 or at the beginning of 1949—the £37·1m.—is roughly right or less unacceptable to you?—Yes.

2642. What about the figure of £30·4m. for 1950?—Yes. We can take it this way if you wish, or I can take the lines across and tell you whether I agree or not.

2643. Would you take item No. 1 and tell me whether the figures shown for each year in that line are roughly right?—Starting with the £40·2m., the rest are pure arithmetic; they come from the bottom of the previous column.

2644. Yes, but pure arithmetic may give the wrong result if you leave out some figure that you ought to have brought in. Do you say that we have brought into account all the items with which we ought to debit surplus funds and have claimed credit for something for which we are not entitled?—You have done the latter, of course.

2645. Have we done that in respect of 1948?—No; the figures appear reasonable.

2646. What about 1949?—1949, yes—realising for this purpose that I am accepting line 2 as mere arithmetic transferred from another page.

2647. Yes, that is quite right; that is a perfectly fair comment and I will come back to that later. Subject to that, for 1949 you accept the figure of £37·1m.?—Yes.

2648. For 1950 you accept the figure of £30·4m.?—Yes.

2649. For 1951 you accept £20·8m.?—Yes. May I say that there are again here some small differences, but I am not pursuing them.

2650. For 1952 do you accept £12·2m.?—Yes.

2651. For 1953 £4·4m.?—Yes.

2652. For 1954 £0·1m.?—Yes.

2653. For 1955 £0·9m.?—Yes.

2654. For 1956 £3·2m.?—Yes.

2655. For 1957 £4·8m.?—Yes.

2656. You have made the comment, and it is a perfectly fair one, that in arriving at each of those figures, one has to be sure that Item 2 is correct; Item 2 is the net surplus or deficit for the year, brought in from Table WHL 1. You make that comment and it is a perfectly fair comment?—That is right.

(*President*): I thought it was a wider comment, namely that except in respect of one or two items, all the figures are brought in from other tables which Mr. James may or may not agree with. Item 5, for instance, is a transfer from Exhibit WHL 1 and Item 6 is another.

(*Mr. MacKenna*): Yes, Sir; Item 5 is one of those items which bites its own tail, as it were—total interest and surplus funds.

(*President*): Yes. I gather that Mr. James meant—taking Item 5 as an example, for instance—that if the figure which appears in Exhibit WHL 1 as Item 18 is right—and it happens to be a blank in this table—he accepts it as being either an addition or a subtraction.

(*Mr. MacKenna*): Yes, Sir; that would not help me very much. I shall have to see if he goes further.

(*President*): I should have thought that he would, if you got the other tables accepted. I should have thought that it would have been more convenient to get the tables accepted as you go through them.

2657. (*Mr. MacKenna*): The difficulty is that we have reached on Exhibit WHL 1, Item 18, interest earned on surplus funds; that is really the last, except income tax in Exhibit WHL 1, but I understand that one has to go to WHL 2 and then, as you have just pointed out, that sends you to other places, notably WHL 3. I had hoped that I would have avoided looking at Exhibit WHL 3 altogether if Mr. James would agree with me that subject to the point he has taken on Item 2 he accepts the other figures in WHL 2. I had hoped to get his agreement to Item 7, which is "depreciation charge on fixed assets of road passenger services and railways (per Exhibit WHL 3, Item No. 4)", and similarly for the next two items which, if he does not accept it, would send us to WHL 3 and so forth—there are several items on the next page. (*To the Witness*): How far are you prepared to go with me without examining these figures in detail in WHL 3?—Could we step back a bit? I was agreeing these figures with you just now at line 19, or the changes which give effect to these figures. I have agreed the arithmetic there and I did offer, a little earlier, to deal with the figures across the page because I think I can help you better that way if you are willing that I should do that. Item No. 1 having started with £40·2m., the rest of the line is arithmetic; each figure is brought up to the bottom of the preceding column. Item No. 2 is correct if you accept the theory of Exhibit WHL 1, which I do not. Item 3 is correct—I think you said it bites its own tail—if you accept everything that leads up to it.

2658. Yes—in WHL 2?—Yes. Items 5 and 6 are pure arithmetic; Item 7 I agree; Item 8 I agree; Item 9 I agree. With regard to Item 10 I do not agree that that has anything to do with this at all; I said earlier on that income from surplus properties should be left out and this must be left out in the same way. On your approach it is correctly included in these figures.

2659. That is all I wanted—your acceptance of the inclusion of this amount at these figures on my approach?—Yes.

2660. (*President*): This is part of the dowry?—Yes, Sir, a very small part of the dowry.

2661. (*Mr. MacKenna*): There are deductions, are there not, which follow from WHL 2?—Yes. Items 13, 14 and 15 are correct; Item 16 is arithmetic and so is Item 17.

2662. That is the total, and Item 18 is the tax point, to which I am going to return when I come back to Exhibit WHL 1?—That is something I never expected to get!

2663. I think I have the position quite clear now; it is that if my approach is right you accept all the figures on WHL 2, subject to your pointing out that Item 2 depends on my approach——

(*President*): And Item 10.

2664. (*Mr. MacKenna*): Yes—and Item 10 depends on my approach, too?—Yes.

2665. And, of course, you have already, in relation to surplus loans, which is Item No. 10 here, told me that the credit which I claim for that is a proper thing on my approach?—Yes, and I think we must also recognise that Item 3 would be affected. If you do not bring certain items into income, and do not take account of certain items in your capital transactions, there will be a net effect on the balance of surplus funds.

2666. Now may I come back to the last item on WHL 1: "Add income tax recovered in 1954—proportion estimated to be attributable to London Transport". May I tell you my understanding of this item: In 1954 did the Commission transfer £12m. from its tax account to an account described as provision for contingencies?—May I say this right away, that I can agree with you because I can see it on Statement V-13; but I cannot answer for the Commission's accountant; in this respect I represent London Transport.

2667. You are quite right; tax is dealt with at headquarters?—Yes.

2668. But I dare say you know as much about the Commission's tax position as I do?—Well, I think——

2669. (*President*): Where did you say this transfer appears?—On Statement V-13, Sir, in the 1954 accounts, Page 61.

2670. And it also appears in the current accounts?—Yes.

2671. (*Mr. MacKenna*): I am told that this figure of £12m. which was transferred from tax account to an account described at provision for contingencies, was described as being approximately the excess of tax recovered on dividends declared by subsidiary companies over the tax charged in their accounts during the period 1948 to 1954?—Yes. There were certain other words in the Commission's notes to their accounts, were there not?

2672. This is Note 19 to the 1954 accounts: "The sum of £12m. has been transferred from this account"—that is the taxation account—"to a Provision for Contingencies, being approximately the excess of tax recovered on dividends declared by Subsidiary Companies (mainly out of pre-acquisition profits)"?—Yes.

2673. I am reading from my note; I have not the 1954 Accounts. Is this right, that the amount on which the Commission recovered the tax is that the Commission had incurred deficits on the revenue accounts during the period 1954——?—I am sorry, but I cannot help you on this, Mr. MacKenna. Mr. Winchester may be able to help you, but I cannot.

2674. Would you, perhaps over the week-end, enquire whether that is right; if you would do that, that will save me the trouble of asking that he should be recalled?—I can only tell you then what somebody else has told me.

2675. Coming from you, Mr. James, that would be almost the highest authority?—Thank you. May I have it again?

2676. The amount on which the Commission recovered the tax was that it had incurred deficits on the revenue accounts during the period 1948 to 1954; in other words, the Commission, having made losses during those years, was entitled to recover the tax which had been deducted at source by those subsidiary companies on paying the dividend to the parent Company. Would you agree that if what I have put to you is right; if that is the amount on which the tax was recovered, would you agree that the credit corresponding to the tax recovered can properly be treated as offsetting the revenue losses against which the tax has been recovered?—I am sorry; I really do not know.

2677. Surely you are not getting out of your depth?—I really do not know.

2678. You mean, you are not sufficiently familiar with tax matters to answer the question as a general question?—I would prefer not to.

2679. You are competent to answer, are you not?—I think no.

(*President*): We must have another witness here on that, Mr. MacKenna.

(*Mr. MacKenna*): If you please, Sir; I will not take your time up any further on that matter.

(*President*): We dabbled a little into this question of the income tax reclaim at the last Inquiry, you know.

(*Mr. MacKenna*): If you please, Sir; if I am right, it gives me £1m., and I do not want to give it up without a little struggle.

(*President*): You will have to go into it a little deeper.

2680. (*Mr. MacKenna*) (*To the Witness*): That is Table WHL 1; I want to come back, if I may, to the specific approach which underlies this table, notably in Items 11 and 12, the interest and the handling of interest. If each transferred activity is to be required to pay its own way, then is the interest on capital and other charges in respect of capital, if each activity is required to bear the interest on the stock issued by the Commission in acquiring the assets of that activity and on any other stock subsequently issued for the purposes of that activity, together with proper sums in respect of capital redemption, there would be, would there not, a fair apportionment of those charges?—It is very easy to find the stock issued in the first place to purchase the transferred undertaking; it is exceptionally difficult to find out what stock was issued subsequently to finance what piece of capital and what undertaking.

2681. I quite appreciate that, but I did not think you were shrinking from the difficulty of charging London Transport with interest upon capital expenditure to be incurred in the next few years on the extension of London Transport; nor did I think that you shrank from the difficulty of attributing to London transport the additional interest which was the result of the Transport Commission having paid off the old London Electric Transport Finance Corporation's loans and raised fresh money to re-finance?—I do not think that is quite the position. What I said was—and I think this is right—that one cannot make this specific approach, but if you want to, here is something you have to take into account. I do not think I said I was adopting it, but here is this information, if you want to do that kind of calculation.

2682. But there was no insuperable difficulty, as I followed your evidence, in charging London Transport with the extra interest, being the difference between the interest on British Transport Stock and the old LETFC?—There is no difficulty; it happened to be possible to identify it.

(*President*): What Mr. James said in the passage you have in mind, Mr. MacKenna, is that if you assume the Tribunal were right in 1953 in putting the Central Charges contribution at £5·4m., you can find an immediately identifiable extra charge which occurred since the circumstances of the reduction of this particular loan.

2683. (*Mr. MacKenna*): I followed that, Sir; what I was putting was a generalisation, that it is not impossibly difficult to do the same with other items of capital expenditure. (*To the Witness*): What do you say about that?—It is possible to do this kind of thing for a period of time, but sooner or later you find that you are incapable of doing it.

2684. But you are not incapable of doing it today, are you?—By assuming that certain assets which the Commission acquired when they took over London Transport can be put into cold storage and merely used for London Transport needs, you can do it; but is that in fact what happens in this world? Does not the £40m. worth of investment enter into the general finances of the Commission?

2685. In Exhibit WHL 2 we have debited the £40·2m., have we not, with the capital expenditure on the assets of London Transport; that is Item 13?—That is precisely what I am saying. You put it into cold storage and you use it for London Transport needs; you draw out a little from the refrigerator each year as necessary.

2686. But if you try to keep the balance between one part of the undertaking and the other for the purposes of fixing fares, this is a very reasonable way, is it not; it is subject to the theoretical difficulty that you may find it difficult to say in respect of which particular piece of capital expenditure, if that was financed by borrowing from the public, and at what rate of interest that money was borrowed?—I think the difficulty is not theoretical: it is practical—that is the whole trouble. If it were theory, one might get over it.

2687. But in this particular case, where surplus funds apparently have been sufficient for the capital purposes of London Transport, there is no great difficulty, is there, about seeing where the money came from and at what rate of interest, to finance certain capital expenditure for London Transport?—One is seeing where the money came from in theory.

(*Mr. MacKenna*): I think I have finished with Exhibit WHL 1 now, Sir.

(*President*): You have done very well, Mr. MacKenna; we will wait until Monday before we go on to anything else.

(*The witness withdrew.*)

(*Adjourned until Monday morning, 9th February, 1959, at 11 o'clock.*)

Exhibits handed in by Middlesex County Council

STATEMENT SHOWING ESTIMATED NET SURPLUS OR DEFICIT OF LONDON TRANSPORT

EXHIBIT WHL 1

Item No.		1948		1949		1950		1951		1952		1953		1954		1955		1956		1957		TOTAL	
		£m.	£m.	£m.	£m.	£m.	£m.	£m.	£m.	£m.	£m.	£m.	£m.	£m.	£m.	£m.	£m.	£m.	£m.	£m.	£m.	£m.	£m.
1	Gross Receipts		59·4		58·5		57·8		61·4		68·4		70·2		71·9		75·6		80·1		84·4		687·7
	Less:—																						
2	Working Expenses		52·0		53·3		54·7		61·5		66·1		68·2		68·1		70·6		75·6		78·7		648·8
3	Net Receipts or Deficit		7·4		5·2		3·1		−0·1		2·3		2·0		3·8		5·0		4·5		5·7		38·9
	Add:—																						
4	Letting of Land and Buildings not in operational use (" Surplus Lands ") ...	0·2		0·2		0·2		0·2		0·3		0·3		0·3		0·3		0·3		0·3		2·6	
5	Credits to Maintenance Equalisation Account—																						
	(*a*) Excess of standard charge over expenditure	0·3		0·1		0·7		1·1		1·0		0·9		—		—		—		—		4·1	
6	(*b*) Net provision to equalise charge	—		—		—		—		—		—		0·4		0·3		—		0·3		1·0	
7	Income from Investments in respect of British Transport Stock Redemption Fund	—		—		—		—		—		—		0·1		0·1		0·1		0·1		0·4	
8			0·5		0·3		0·9		1·3		1·3		1·2		0·8		0·7		0·4		0·7		8·1
9			7·9		5·5		4·0		1·2		3·6		3·2		4·6		5·7		4·9		6·4		47·0
	Deduct:—																						
10	Central Administration Expenses ...	0·1		0·1		0·1		0·1		0·1		0·1		0·1		0·1		0·2		0·2		1·2	
11	Interest on L.E.T.F.C. Loans	0·8		0·7		0·8		0·7		0·7		0·7		0·7		0·4		—		—		5·5	
12	Interest on British Transport Stock ...	4·1		4·2		4·1		4·2		4·1		4·2		4·1		4·7		5·3		5·3		44·3	
13	Amortisation of Discount on issue of British Transport Stock	—		—		—		—		—		—		—		—		0·1		0·1		0·2	
14	Other " Special Items "	—		—		—		—		—		—		—		0·2		—		—		0·2	
15	Provision for Redemption of British Transport Stock	0·3		0·3		0·3		0·3		0·4		0·4		0·4		0·4		0·4		0·5		3·7	
16			5·3		5·3		5·3		5·3		5·3		5·4		5·3		5·8		6·0		6·1		55·1
17			2·6		0·2		−1·3		−4·1		−1·7		−2·2		−0·7		−0·1		−1·1		0·3		−8·1
	Add:—																						
18	Interest earned on " Surplus Funds " attributable to London Transport (per Exhibit WHL 2, Item Nos. 5 and 21)		1·2		1·0		0·8		0·5		0·2		0·1		—		0·1		0·1		0·2		4·2
19	Normal Net Surplus or Deficit		3·8		1·2		−0·5		−3·6		−1·5		−2·1		−0·7		—		−1·0		0·5		−3·9
	Add:—																						
20	Income Tax recovered in 1954—proportion estimated to be attributable to London Transport																						1·0
21																							−2·9

[Continued

EXHIBIT WHL 2

STATEMENT SHOWING ESTIMATED MOVEMENTS ON "SURPLUS FUNDS" OF LONDON TRANSPORT AND INTEREST ASSUMED TO BE EARNED THEREON

Item No.		1948		1949		1950		1951		1952		1953		1954		1955		1956		1957		SUMMARY	
		£m.	£m.	£m.	£m.	£m.	£m.	£m.	£m.	£m.	£m.	£m.	£m.	£m.	£m.	£m.	£m.	£m.	£m.	£m.	£m.	£m.	£m.
1	"Surplus Funds" at beginning of year ...		40·2		37·1		30·4		20·8		12·2		4·4		0·1		0·9		3·2		4·8		40·2
	Add:—																						
2	Net Surplus or Deficit for year, before adding interest on "Surplus Funds" (per Exhibit WHL 1, Item No. 17) ...	2·6		0·2		−1·3		−4·1		−1·7		−2·2		−0·7		−0·1		−1·1		0·3		−8·1	
3	Interest on "Surplus Funds" earned in the *previous* year	—		1·2		1·0		0·8		0·5		0·2		0·1		—		0·1		0·1		4·0	
4	Adjustment for interest earned in 1957 ...																			0·2		0·2	
5	Total Interest on "Surplus Funds" (per Exhibit WHL 1, Item No. 18) ...																					4·2	
6	Total Normal Net Deficit for 10 years (per Exhibit WHL 1, Item No. 19) ...																					−3·9	
7	Depreciation Charge on fixed assets of Road Passenger Services and Railways (per Exhibit WHL 3, Item No. 4) ...	2·4		2·5		3·0		3·3		3·4		3·7		3·8		3·6		3·6		3·5		32·8	
8	Scrap or sale proceeds on rolling stock category assets displaced (per Exhibit WHL 3, Item No. 8)	—		0·1		—		0·1		0·1		0·3		0·1		0·1		0·2		0·1		1·1	
9	Net movement on net book value of Electric Current fixed assets (per Exhibit WHL 3, Item No. 10) ...	—		0·1		0·2		0·2		0·3		0·1		—		−0·2		—		—		0·7	
10	Net movement on net book value of Surplus Lands (per Exhibit WHL 3, Item No. 11)	0·1		—		−0·1		0·1		0·1		0·1		0·1		0·1		—		0·1		0·6	
11			5·1		4·1		2·8		0·4		2·7		2·2		3·4		3·5		2·8		4·3		31·3
12			45·3		41·2		33·2		21·2		14·9		6·6		3·5		4·4		6·0		9·1		71·5
	Deduct:—																						
13	Capital Expenditure on fixed assets of Road Passenger Services and Railways (per Exhibit WHL 3, Item No. 3) ...	6·7		9·7		11·3		7·8		8·4		6·0		3·8		1·4		1·3		1·8		58·2	
14	Expenditure, less recoveries, on land and buildings category assets displaced ...	—		—		0·2		0·4		1·1		—		−0·2		−0·2		−0·1		—		1·2	
15	Excess of expenditure on maintenance over standard maintenance charge ...	1·5		1·1		0·9		0·8		1·0		0·5		—		—		—		—		5·8	
16			8·2		10·8		12·4		9·0		10·5		6·5		3·6		1·2		1·2		1·8		65·2
17			37·1		30·4		20·8		12·2		4·4		0·1		−0·1		3·2		4·8		7·3		6·3
	Add:—																						
18	Income Tax recovered in 1954—proportion estimated to be attributable to London Transport														1·0								1·0
19	"Surplus Funds" at end of year		37·1		30·4		20·8		12·2		4·4		0·1		0·9		3·2		4·8		7·3		7·3
20	Average "Surplus Funds"...		38·7		33·7		25·6		16·5		8·3		2·3		0·5		2·1		4·0		6·1		
21	Interest at 3 per cent.		1·2		1·0		0·8		0·5		0·2		0·1		—		0·1		0·1		0·2		4·2

[Continued

MOVEMENT ON NET BOOK VALUES OF FIXED ASSETS OF LONDON TRANSPORT

EXHIBIT WHL 3

Item No.		1948		1949		1950		1951		1952		1953		1954		1955		1956		1957		TOTAL	
		£m.	£m.	£m.	£m.	£m.	£m.	£m.	£m.	£m.	£m.	£m.	£m.	£m.	£m.	£m.	£m.	£m.	£m.	£m.	£m.	£m.	£m.
	Road Passenger Services and Railways—																						
1	Capital Expenditure—																						
	Rolling stock category assets	4·4		8·2		9·8		5·9		6·3		4·3		2·0		0·2		0·4		0·7		42·2	
2	Land and buildings category assets ...	2·3		1·5		1·5		1·9		2·1		1·7		1·8		1·2		0·9		1·1		16·0	
3	Total (dealt with on Exhibit WHL 2, Item No. 13)	6·7		9·7		11·3		7·8		8·4		6·0		3·8		1·4		1·3		1·8		58·2	
	Less:—																						
4	Depreciation Charge (dealt with on Exhibit WHL 2, Item No. 7) ...	2·4		2·5		3·0		3·3		3·4		3·7		3·8		3·6		3·6		3·5		32·8	
5	Excess of capital expenditure over depreciation charge		4·3		7·2		8·3		4·5		5·0		2·3		—		−2·2		−2·3		−1·7		25·4
	Displacements of rolling stock category assets—																						
6	Gross book value written off	−2·5		−5·9		−4·7		−2·3		−2·3		−5·4		−1·9		−1·6		−1·3		−0·4		−28·3	
7	*Less:*—Amounts written off against depreciation provision	−2·5		−5·8		−4·7		−2·2		−2·2		−5·1		−1·8		−1·5		−1·1		−0·3		−27·2	
8	Balance, represented by scrap or sale proceeds (dealt with on Exhibit WHL 2, Item No. 8)		—		−0·1		—		−0·1		−0·1		−0·3		−0·1		−0·1		−0·2		−0·1		−1·1
9	Displacements of land and buildings category assets—																						
	Gross book value written off against Maintenance Equalisation Account		—		—		−0·3		−0·8		−1·4		−0·3		—		—		—		—		−2·8
	Transfers—																						
9*a*	Rolling stock category assets		—		—		−0·1		—		—		—		—		—		—		—		−0·1
9*b*	Land and buildings category assets ...		0·1		0·2		0·1		−0·2		—		−0·1		—		−0·1		−0·1		—		−0·1
10	Electric Current for Traction—																						
	Net movement—excess of depreciation over capital expenditure (dealt with on Exhibit WHL 2, Item No. 9)		—		−0·1		−0·2		−0·2		−0·3		−0·1		—		0·2		—		—		−0·7
11	Surplus Lands—																						
	Net movement—excess of withdrawals over capital expenditure (dealt with on Exhibit WHL 2, Item No. 10) ...		−0·1		—		0·1		−0·1		−0·1		−0·1		−0·1		−0·1		—		−0·1		−0·6
12	Differences due to "rounding off" ...		−0·1		—		0·1		0·1		−0·2		0·1		0·1		—		−0·1		—		—
13	Increase in net book value (before deducting Maintenance Equalisation Account) ...		4·2		7·2		8·0		3·2		2·9		1·5		−0·1		−2·3		−2·7		−1·9		20·0
	Reconciliation:																					1st January, 1948	
14	Net book value at beginning of year—																						
	Road Passenger Services	17·2		19·4		25·1		31·6		34·1		36·3		38·7		39·2		37·4		34·8		32·7	
15	Railways	98·9		101·0		102·6		104·2		105·2		106·3		105·6		105·1		104·5		104·4		104·7	
16	Electric Current for Traction	9·1		9·1		9·0		8·8		8·6		8·3		8·2		8·2		8·4		8·4		8·4	
17	Surplus Lands	3·4		3·3		3·3		3·4		3·3		3·2		3·1		3·0		2·9		2·9		2·8	
18			128·6		132·8		140·0		148·0		151·2		154·1		155·6		155·5		153·2		150·5		148·6
19	Net movement during year (as above) ...		4·2		7·2		8·0		3·2		2·9		1·5		−0·1		−2·3		−2·7		−1·9		
20	Total net book value at end of year...		132·8		140·0		148·0		151·2		154·1		155·6		155·5		153·2		150·5		148·6		

[Continued

EXHIBIT WHL 4

ESTIMATED NET SURPLUS OR DEFICIT OF LONDON TRANSPORT FOR 1958 AND 1959

Item No.		1958 £m.	1958 £m.	1959 £m.	1959 £m.
1	Total Net Receipts		5·5		5·0
	Add:—				
2	Net Receipts from "surplus lands"	0·3		0·3	
3	Income from Investments in respect of Redemption Fund	0·1		0·1	
4			0·4		0·4
5			5·9		5·4
	Deduct:—				
6	Central Administration Expenses	0·2		0·2	
7	Interest on British Transport Stock	5·3		5·3	
8	Amortisation of Discount on British Transport Stock	0·1		0·1	
9	Provision for Redemption of British Transport Stock	0·5		0·5	
10			6·1		6·1
11			−0·2		−0·7
	Add:—				
12	Interest on "Surplus Funds"		0·2		0·2
13	Net Deficit		Nil		−0·5

EXHIBIT WHL 5

ESTIMATED MOVEMENTS ON "SURPLUS FUNDS" DURING 1958 AND 1959

Item No.		1958 £m.	1958 £m.	1959 £m.	1959 £m.
1	"Surplus Funds" at beginning of year		7·3		8·4
	Add:—				
2	Net Deficit for year before adding interest on "Surplus Funds"	−0·2		−0·7	
3	Interest on "Surplus Funds"	0·2		0·2	
4	Depreciation charge	3·6		3·5	
5			3·6		3·0
6			10·9		11·4
	Deduct:—				
7	Capital expenditure		2·5		7·4
8	"Surplus Funds" at end of year		8·4		4·0

EXHIBIT WHL 7

STATEMENT SHOWING MOVEMENTS ON MAINTENANCE EQUALISATION ACCOUNT ATTRIBUTABLE TO LONDON TRANSPORT (INCLUDING ESTIMATES RE ELECTRIC CURRENT ASSETS)

£000

	Standard charge basis						Equalisation basis				Totals	
	1948	1949	1950	1951	1952	1953	1954	1955	1956	1957	1948–1953	1954–1957
Debited to Provision:												
Rolling stock assets—												
Buses	1,129	341	—	—	—	—	62	344	490	—	1,470	896
Trolleybuses	—	142	230	294	296	322	120	100	60	—	1,284 } 4·4	280 } 1·2
Trams	375	383	273	200	8	—	—	—	—	—	1,239	—
Railways	—	50	256	—	135	36	—	—	—	—	477	—
Ways and structures assets—												
Buses	—	1	63	299	499	135	—	—	—	—	997	—
Trolleybuses	—	—	—	—	—	—	—	—	—	—	—	—
Trams	—	71	63	25	40	—	—	—	—	—	199 } 1·4	—
Railways	—	68	—	—	—	—	—	—	—	—	68	—
Electric current assets (estimated) ...	—	—	20	—	40	20	—	—	—	—	80	—
General assets	—	—	—	—	—	—	—	—	9	—	—	9
	1,504	1,056	905	818	1,018	513	182	444	559	—	5,814	1,185
Shown on WHL 2, Item 15 as ...	£1·5m.	£1·1m.	£0·9m.	£0·8m.	£1·0m.	£0·5m.					£5·8m.	
Credited to Provision:												
Rolling stock assets—												
Buses	—	—	464	649	711	512	—	—	—	—	2,336	—
Trolleybuses	34	—	—	—	—	—	—	—	—	—	34 } 2·5	—
Trams	—	—	—	—	—	—	—	—	—	—	—	—
Railways	43	—	—	74	—	—	—	—	—	—	117	—
Ways and structures assets—												
Buses	11	—	—	—	—	—	123	222	115	148	11	608
Trolleybuses	71	82	113	133	94	98	6	6	7	4	591	23
Trams	25	—	—	—	—	—	—	—	—	—	25 } 1·6	— } 2·6
Railways	101	—	18	178	132	243	441	441	436	446	672	1,764
Electric current assets (estimated) ...	—	60	70	80	70	50	40	40	30	40	330	150
General assets	—	—	—	—	—	—	12	4	—	19	—	35
	285	142	665	1,114	1,007	903	622	713	588	657	4,116	2,580
Shown on WHL 1, Item 5 as ...	£0·3m.	£0·1m.	£0·7m.	£1·1m.	£1·0m.	£0·9m.					£4·1m.	
Excess of debits over credits							−440	−269	−29	−657		−1,395
							£0·4m.	£0·3m.	—	£0·7m.		£1·4m.
Adjustment in 1957 for debits to provision re London Transport's land and buildings assets (provision included in Sundry Creditors)...							—	—	—	−£0·4m.		−£0·4m.
Shown on WHL 1, Item 6 as ...							£0·4m.	£0·3m.	—	£0·3m.		£1·0m.

[Continued

Exhibits handed in by London County Council

TABLE SWH 1

LONDON TRANSPORT EXECUTIVE

Trend decline in Traffic Receipts in 3 years to 1957

TEST A.—Based on actual receipts to 1957

				£M.
1954. Actual receipts				70·1
Subsequent increase in fares:				
	Gross £M.	Net £M.		
(*a*) 1954 Scheme	5·4	3·7		
Less effective in 1954 ...	1·5	1·0		
	3·9	2·7	(Ref. B.T.C.3. Item 11. 1955 Scheme).	
(*b*) 1955 Scheme	3·2	2·6	B.T.C. 27.	
(*c*) 1956 Scheme	5·3	3·3	B.T.C. 106.	
(*d*) Increase in sub-standard fares		1·5		
(*e*) 1957 Scheme	6·0	4·5	B.H.4, p. 26.	
		14·6		14·6
				84·7
1957. Actual receipts		82·5		
Add increases 1957 Scheme not fully effective in 1957		1·8	(P.J. 12, Line 12).	
		84·3		
Elimination of special items		1·3	(P.J. 12, Line 14).	
		83·0		
				83·0
Decline in 3 years, 1954–57				1·7
Average annual decline				0·6 p.a

6th February, 1959.

TABLE SWH 2

LONDON TRANSPORT EXECUTIVE

Trend Decline in Traffic Receipts in four years to 1958 (*not including after-effects of Bus Strike*, 1958)

TEST B.—Based on actual and budget receipts to 1958

				£M.
1954.—Actual receipts				70·1
Subsequent increase in fares:				
	Gross £M.	Net £M.		
(*a*) 1954 Scheme	5·4	3·7		
Less effective in 1954 ...	1·5	1·0	Ref. 1955 Scheme.	
	3·9	2·7	B.T.C. 3, Item 11.	
(*b*) 1955 Scheme	3·2	2·6	B.T.C. 27.	
(*c*) 1956 Scheme	5·3	3·3	B.T.C. 106.	
(*d*) Increase in sub-standard fares (1956)		1·5		
(*e*) 1957 Scheme	6·0	4·5	B.H.4, p. 26.	
(*f*) Increase in sub-standard fares (1958)		0·1		
		14·7		14·7
				84·8
Budget 1958 Original		82·1		
Added for increase in sub-standard fares (item (*f*) above)		0·1		
Acknowledged under-estimate in budget (page 70, Q. 490)...		0·2		
				82·4
Decline in 4 years (from Actual 1954 to Budget 1958)				2·4
Average annual decline				0·6 p.a.

6th February, 1959.

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Printed and published in Great Britain by
HER MAJESTY'S STATIONERY OFFICE

(87568) Wt. P. 68885— K2 2/59 D.L.

S.O. Code No. 88–817–8*